

OECD/DAC PEER REVIEW 2012

Memorandum of Finland

Main developments and policy changes in the Finnish development policy and cooperation since 2007

Ministry for Foreign Affairs of Finland

January 2012

	CONTENTS	page
List of Acronyms and Terms		3
appendices and links		4
1 Strategic orientations		5
1.1 Main findings and recommendation from the 2007 Peer Review	5	
1.2 Finland's development policy in the foreign policy context		6
1.3 Policy formulation		6
1.4 Main developments since 2007: implementing the 2007 Development Policy	7	
1.5 Introduction to the new Development Policy 2012	10	
1.6 Fragile states and situations		11
1.7 Cross-cutting objectives		12
1.8 Accountability, communication and development awareness	13	
2 Policy Coherence for Development		14

2.1	Main developments since the 2007 Peer Review	14
2.2	Measures to promote PCD in the new Development Policy	16
2.3	Challenges for strengthening policy coherence at national and EU levels	16
3	ODA volume, channels and allocations	18
3.1	overall aid volume	18
3.2	Bilateral channel	21
3.2.1	Fragile and post-conflict situations	23
3.2.2	Non-governmental organisations and civil society	24
3.3	Multilateral channel	25
3.3.1	The UN system	25
3.3.2	International development financing institutions	27
3.3.3	Support to environment agreements through multilateral channels	29
3.4	Field level issues	30
4	Organisation and management	30
4.1	Main developments since the last peer review	30
4.2	Organisation	31
4.3	Decentralization	31
4.4	Management for development results	32
4.5	Human resources	33
4.6	Programming	34
4.7	ODA-related information systems	34
4.8	Evaluation	35
5	Aid effectiveness and results	37

5.1 Finland's performance in the Paris Declaration monitoring survey	37	
5.2 Fragile states and situations		41
5.3 Aid effectiveness at country level		41
6 Humanitarian assistance		44
6.1 Humanitarian principles and policies	44	
6.2 Financing humanitarian action		45
6.3 Promoting standards and enhancing implementation		46
6.4 Linking relief to rehabilitation and development		47
6.5 Learning and accountability		48
6.6 Organisation and management of humanitarian action		49
6.7 Cross-cutting themes		49

LIST OF ACRONYMS AND TERMS

CERF	Central Emergency Response Fund
CFSP	EU Common Foreign and Security Policy
CMI	Crisis Management Initiative (President Ahtisaari)
COHAFA	EU Council Working Group on Humanitarian Aid and Food Aid
DRC	Democratic Republic of Congo
DRR	Disaster Risk Reduction
GEF	Global Environmental Facility
GHA	Global Humanitarian Assistance
GHD	Good Humanitarian Donorship
GDP	Gross domestic product
GNI	Gross National Income

IASC	Inter-Agency Standing Committee
IHL	International Humanitarian Law
KEVALKU	MFA Training Course for Development Policy
KEO	Department for Development Policy
KEPO	Development Policy Steering Group
LRRD	Linking Relief to Recovery and Development
MCDA	Military and Civil Defence Assets
MFA	Ministry for Foreign Affairs
MOPAN	Multilateral Organisations' Performance Assessment Network
NAO	National Auditors' Office
NIIHA	Neutral Independent and Impartial Action (ICRC's slogan)
RBM	Results Based Management
TTS	Five-year rolling operating and financial plans
UNRWA	United Nations Relief and Works Agency

Appendices and Links to Strategies, Orientations and Guidelines since 2007

- MFA organigramme (pdf)
- 2007 Development Policy (pdf)
- Government Programme 2011 – Foreign and Security Policy (word)
- International Humanitarian Aid 2007-2010 – an Evaluation Synthesis (National Audit Office of Finland) (print)

Evaluations - Evaluation report 2011:2: Results-Based Approach in Finnish Development Cooperation

<http://formin.finland.fi/public/default.aspx?contentid=233028&nodeid=15452&contentlan=2&culture=en-US>

- The Sustainability Dimension in Addressing Poverty Reduction: Synthesis of Evaluations 2010: <http://formin.finland.fi/public/default.aspx?contentid=207704&nodeid=15452&contentlan=2&culture=en-US>

Sectoral guidance

- Development and security in Finland's Development Policy (2009)
<http://formin.finland.fi/public/download.aspx?ID=54259&GUID={E36EC6CF-76C1-40F6-97FA-2327609BD69A}>
- Finnish development policy guidelines for environment (2009)
<http://formin.finland.fi/public/download.aspx?ID=49494&GUID={0642A6F1-77EC-4C02-A004-353DEAA53ED1}>
- Government reports to Parliament on the human rights policy of Finland 2009 <http://formin.finland.fi/public/download.aspx?ID=54284&GUID=%7B1248AD8B-CFFB-44F6-A69B-7831BC7F274C%7D>
- Cross-cutting objectives; Instruction <http://formin.finland.fi/public/download.aspx?ID=64725&GUID={0C52E11E-CB38-4966-ADCF-BE5EF762BE16}>
- Development policy guidelines on agriculture and food security (2010)
<http://formin.finland.fi/public/download.aspx?ID=64646&GUID={32B72284-886D-49B6-90F1-B19824668262}>
- International strategy for Finland's Water Sector (2009)
<http://formin.finland.fi/public/download.aspx?ID=47188&GUID={1681FEDF-89F8-40BE-BB36-F3CFAB1B1CFB}>
- Development Policy Guidelines for Forest Sector (2009)
<http://formin.finland.fi/public/download.aspx?ID=47185&GUID={2383732B-C941-438F-8891-1B7E31745F55}>
- Finnish Development Policy Guidelines for the Health Sector (2007)
<http://formin.finland.fi/public/download.aspx?ID=15843&GUID={6B87CB67-35AD-4C29-A94F-5DB2135D7E65}>
- Finland's Aid for Trade Action Plan 2008–2011 (2008)
<http://formin.finland.fi/public/download.aspx?ID=32859&GUID={6B942BAC-20CD-433A-BCC8-0C290889061C}>

Funding - General Budget Support and Sector Budget Support in Finland's Programme-based Development Cooperation (2010) <http://formin.finland.fi/public/download.aspx?ID=54423&GUID={91D97C7C-0987-464D-9950-92B385B5862F}>

- Concessional Credit Scheme Guidelines for the Preparation of Feasibility Studies (2010) <http://formin.finland.fi/public/download.aspx?ID=62365&GUID={B2E7C7F8-F043-4D74-94E3-5D981E599607}>

Multilateral cooperation

- Multilateral Cooperation in Finland's Development Policy (2008) <http://formin.finland.fi/public/download.aspx?ID=38985&GUID={209B4639-430B-419C-9E45-3FDE0AEA2E9B}>

CSO - Guidelines for Civil Society in Development Policy (2010)
<http://formin.finland.fi/public/download.aspx?ID=66978&GUID={2FA998A1-C336-4A8A-8FFA-1521E32B9804}>

Humanitarian

- Humanitarian Assistance Guidelines: Finland's National Plan for Implementing the Good Humanitarian Principles (2007) <http://formin.finland.fi/public/download.aspx?ID=21843&GUID={EBD4A67A-289F-4B6E-9DF6-F6493CCFF76B}>

Africa - Africa in Finnish Development Policy - Finland's development policy framework (2009)
<http://formin.finland.fi/public/download.aspx?ID=46581&GUID={C825AD12-9046-47C6-B679-54CA6B1F2817}>

Wider Europe

- Wider Europe Initiative – Framework for Finland's Development Policy – Implementation Plan for 2009–2013 (2009)
<http://formin.finland.fi/public/download.aspx?ID=44782&GUID={5F9179AD-3D39-4CB7-82F4-C79179EC9020}>

Western Balkans

- Western Balkans - Finland's Development Policy for the years 2009-2013 (2009)

<http://formin.finland.fi/public/download.aspx?ID=52629&GUID={546825CB-2E93-4B49-99E1-84D16EC9FA51}>

CHAPTER 1: STRATEGIC ORIENTATIONS

1.1 Main findings and recommendations from the 2007 Peer Review and the 2009 mid-term review

This Memorandum for the DAC Peer Review 2012 of Finland has been prepared by the Ministry for Foreign Affairs (MFA). In Finland, the MFA is responsible for development policy, with the leadership of the Minister for International Development. Development policy is coordinated by the Department for Development Policy, and implemented together with regional departments and the external economic relations and political departments of the MFA. The regional departments are tasked, besides implementation of the development cooperation, with tasks related to coordination of regional foreign and security policy, trade, development, EU and other affairs.

The last DAC Peer Review of Finland took place in 2007, with a mid-term review in 2009. Notable achievements highlighted in the reviews included the following:

- DAC welcomed Finland's renewed commitment to reaching the EU agreed ODA volume target of 0.51 % by 2010 and 0.7 % ODA/GNI by 2015. In the mid-term review of 2009, the DAC commended Finland's remarkable ODA performance in times of an economic crisis.
- DAC commended Finland for its continued focus on and commitment to the long-term partners and allocating 60 % of its bilateral funding to them. Moreover, the multilateral policy with clear funding criteria, and focus on four UN bodies and five IFIs, as well as the strengthened core contributions were well noted, but performance of multilaterals and implementation of cross-cutting objectives remain challenges
- DAC also commended Finland for using the EU to take forward certain policy priorities such as the work on the division of labour and reminded that Finland should continue to lean toward the EU and Nordic Plus groups and support joint initiatives
- At two years of implementation, DAC considered very positively the emphasis of Finland's 2007 Development Policy on environmental, economic and social sustainability. It also commended the new category of partner countries recovering from violent crisis and the focus on fragile situations, from the viewpoint of peace-building and conflict prevention
- In 2007, DAC made several recommendations to encourage Finland to concrete and measurable implementation of its commitments on Policy Coherence for Development; in 2009 DAC welcomed the good progress that Finland had done in strengthening the links between development policy and the national rural, security, environment, trade and immigration policies, particularly through national EU coordination and inter-departmental teams.

Main challenges identified in the 2007 and highlighted in the mid-term 2009 reviews included the following:

- even if Finland is progressing well with aid effectiveness, there is a need to take the aid effectiveness principles -like division of labour or harmonisation - concretely to the country level,
- on policy coherence for development, Finland needs to focus on national efforts to improve policy coherence in national policies,
- even if the public support for development cooperation is high, it would be important to strengthen public awareness of development policy by addressing targeted specific audiences,
- it would be important to find the best way to reconcile business interests with development interests, in order to bring a stronger economic focus into development cooperation
- with regard to the organisation and management, the MFA should ensure necessary mix of generalists and experts through making training mandatory for relevant staff; also, the evaluation unit and Auditor General's Office should work together more closely

The developments since 2009 with these main challenges are in the focus of this chapter.

1.2 Finland's Development Policy in the Foreign Policy Context

Finnish development cooperation celebrated its 50th anniversary on June 1, 2011. In 1961 the Finnish State budget included official development assistance (ODA) for the first time, and the first civil servant dealing with development cooperation was appointed in the Ministry for Foreign Affairs. At the beginning, Finland focused on multilateral channels. However, the bilateral development cooperation was increased step by step. Bilateral ODA has for many years constituted the bigger share of ODA. Still, the multilateral cooperation has always remained important.

The Government set the goal of 0,7% of gross national income (GNI) for ODA for the first time in 1970. In 1975, Finland joined the Development Assistance Committee (DAC) of OECD. The Finnish ODA increased more slowly than originally anticipated. Once, in 1991, Finland reached the goal of 0,7 % ODA of GNI, just before the deep depression.

The legal basis for Finland's development cooperation consists of five- year rolling operating and financial plans (TTS), the annual state budgets and the stipulations regarding development cooperation. The Parliament decides on the budget appropriations and accepts the budget on an annual basis. The MFA has authority to make multiyear commitments.

The Government Programme and the Development Policy, together with related strategies, are the most important guiding documents for Finland's development cooperation. The most important EU Development Policy statements so far are the European Consensus on Development of 2005 and the Lisbon Treaty.

Development policy is an essential part of foreign and security policy in Finland. The values and development goals of the UN Millennium Declaration provide the framework for Finland's global action and development policy. Poverty eradication continues to be the primary objective for Finland's development policy also in the new Government programme, other key objectives being to strengthen

policy coherence for development and aid effectiveness, as well as to ensure the path to the 0,7% target for ODA/GNI.

Finland is committed to the values guiding international relations: freedom, equality, solidarity, tolerance, respect for nature and joint responsibility; to peace, security and disarmament for the world community; to development and the eradication of poverty; to protecting our common environment; to human rights, democracy and good governance; to protecting the vulnerable; to meeting the special needs of Africa, and to strengthening the United Nations and the multilateral system.

Development cooperation is widely considered in Finland as a moral obligation. It is also acknowledged as advancing our own interests through prevention of conflicts, diseases, terrorism and through integrating developing countries into the world economy.

1.3 Policy formulation

The Government steers the Finnish development policy with the Government Programme and the Government Resolution on Development Policy. The Minister for International Development (until June 2011, Minister for Foreign Trade and Development) is in charge of development policy and strategy. The emphasis on policy coherence for development has widened the sphere also to other government ministries, NGOs, business etc.

The Parliament approves the annual budget for development cooperation at the overall level, determining the financial framework to support to e.g. multilateral cooperation and humanitarian assistance. The MFA submits to Parliament the Annual Report on Finland's Development Cooperation, which is a general outline on Finnish development policy and cooperation. In 2011, the annual report was extended to cover not only the previous year, but the entire period of the Development Policy 2007-2011. The Foreign Affairs Committee, the State Finance Committee and the Grand Committee on EU Affairs follow development policy closely. They invite the Minister and MFA officials regularly to hearings. The Committees are informed of all major decisions within the EU and multilateral development policies.

The Development Policy Committee is an advisory body that has cross-sectoral representation (parliamentarians, NGOs, academia, private sector organisations, trade unions, technical experts from other ministries). It monitors and comments activities in such policy sectors where decisions have implications for developing countries. The Committee assesses the quality and effectiveness of development cooperation and monitors levels of public funding for development. It promotes discussion on global development issues and strengthens the role of civil society and the private sector in development policy. The committee gives statements, commissions reports and evaluations, gives proposals and recommendations as well as organises seminars and events and issues publications. It provides the Government with an annual statement "State of Finland's development policy".

The National Audit Office (NAO) began operating as an independent body in connection with the Parliament on 1 January 2001. The NAO produces information on the state's financial management, compliance with the budget and administrative activities for Parliament, the Government and other levels of administration. It promotes economy, efficiency and effectiveness in state administration by conducting audits and expert tasks related to control of financial management. State authorities and business enterprises must immediately report any abuse of funds to NAO. The NAO reports improprieties to the appropriate body and sees that any improprieties and shortcomings observed in

audits are corrected. The Auditor-General is mandated to undertake financial and performance audits of development cooperation.

In addition to the above-mentioned publicly available documents, public accountability is enhanced by making all major evaluation reports available on the MFA and Global Finland websites (www.formin.fi and www.global.fi) and distributing documents freely e.g. to various stakeholders and to libraries.

1.4 Main developments since 2007: implementing the 2007 Development Policy

The 2007 Development Policy gave the framework for development policy and implementation of development cooperation. Its strong emphasis was on ecologically, socially and economically sustainable development in order to eradicate poverty.

Since the Peer Review of 2007 and its mid-term Review in 2009, several thematic, regional and administrative strategies have been prepared. There are strategy papers on development and forestry, food security and agriculture, and environment. Cooperation between institutions was developed and the criteria of general and sectoral budget support clarified. A first-ever comprehensive policy framework for Africa was published in 2009. In the Wider Europe Initiative, a strategy for comprehensive development cooperation in eastern Europe, Central Asia and Southern Caucasus was formulated.

Between 2006-2010, Finland's ODA increased by over 340 million euros (52% in volume). Finland exceeded the target set for ODA volume during this period. The achievement is rather exceptional as many other donors were simultaneously forced to cut their budgets. The consecutive governments have been strongly committed to achieve 0,7 % by 2015. The increase of ODA volume has not been matched by a corresponding increase in human resources, but efforts towards greater units has been successful. The number of interventions increased especially during 2009 and 2010, which led to the average size of intervention to decrease. The Government is committed on reducing the level of fragmentation and improving the coordination with other donors.

Finland's development policy is an essential part of foreign policy. The foreign policy objectives, principles and orientations, have been brought more clearly into discussions and activities which previously dealt with development cooperation only. In the European Union, as well as at the global level, Finland has emphasized the broad significance of development policy and its close links with foreign, security, trade and environments policies. As an example of Finland's efforts to further integrate development policy into EU's external relations, and as a major development policy initiative, Finland has since 2009 contributed actively to the launching and formulation of the transatlantic dialogue on development. The aim of the EU-US dialogue is to strengthen the political dialogue and their cooperation at country level, as well as the dialogue with emerging donors and in defending the joint practices of the OECD.

Within the EU, Finland has systematically promoted the concept of joint programming, also as an integral part of enhanced EU coordination in general. This is closely linked to the broader agenda of

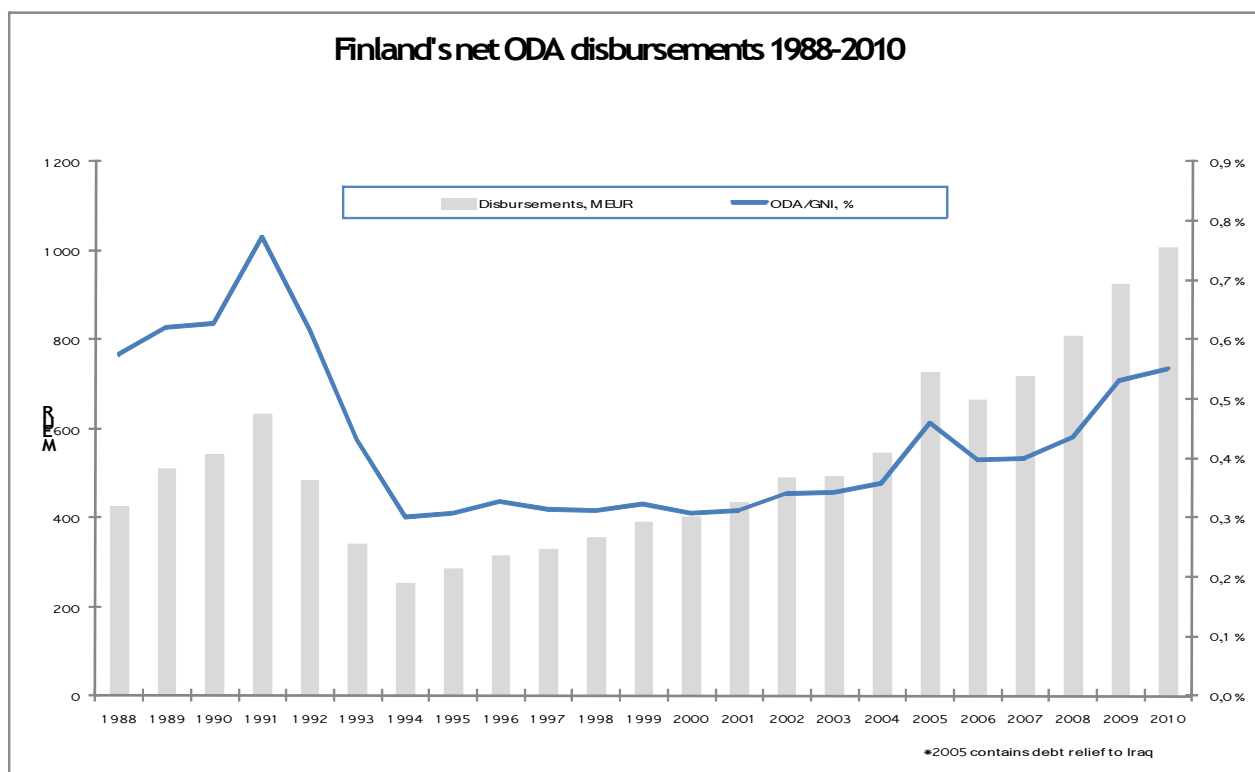
aid effectiveness, including preparations for the Busan High-level Forum in the end of 2011, where the Nordic + context was particularly relevant and used for joint efforts and preparatory work.

During 2011 Finland contributed actively to the process of modernizing EU's development policy, in parallel with the formulation of Finland's own new policy. For example, steps towards focusing on the poorest, more human development centered inclusive growth and more human rights based approach to development reflect considerably the Finnish position. At the same time, Finland has stressed the importance of streamlined implementation of the EU development cooperation and keeping with the earlier financing commitments.

Throughout the period 2007 to 2011, Finland kept a tight focus on aid effectiveness and produced both internal guidelines and material to be used by the EU and the DAC Working Party on Aid Effectiveness. Finland has promoted ecologically sustainable development and, in particular, mechanisms to respond to the challenges posed by the climate change. The civil crisis management has been emphasized and fragile states supported through e.g. the wider Balkan initiative.

Finland has promoted policy coherence for development at the EU level in emphasizing the need for stronger links between foreign, security, development, trade and environment policies and, at the same time, to better take into consideration the external dimensions of EU policies. PCD has been high on Finland's agenda in the modernizing of the EU development policy. The Rio+20 conference will be a test-case for a truly comprehensive and coherent EU approach to global sustainable development.

Since 2007, Finland has been active in country-level policy dialogue especially in the long-term partner countries, including several key donor chairmanships, e.g. budget support in Mozambique, governance in Kenya, local government in Tanzania, environment in Zambia, education in Ethiopia and agriculture in Mozambique.



The increase of ODA was simultaneous with the new development policy orientations of 2007, which led to many new interventions in a relatively short period of time. A new thematic and regional approach was introduced and new instruments, such as the institutional co-operation instrument and higher education co-operation instruments were launched. These developments led to an increase in the number of interventions, decrease in the average intervention size, and geographical fragmentation of the Finnish ODA. Country programmes in some long-term partner countries became fragmented. This is well documented in recent evaluations of Nepal, Tanzania and Nicaragua country programmes. In the case of Nicaragua, this was due to the policy changes of the Sandinista government.

Evaluations are crucial in assessing the development impact of projects and programmes. A recent evaluation on poverty reduction presented that Finland's development cooperation is well-targeted, coherent and the partners are satisfied with it. The Finnish ways to operate and Finnish expertise were commended by the partners, and the cooperation and knowledge were highly respected. Usually, Finland's activities were seen as fulfilling the needs and objectives of the partner countries. The evaluation also identified challenges with regard to sustainability of development results, compatibility, effectiveness, context, planning and monitoring.

According to an internal survey of the implementation of the previous development policy, the key message of the feedback both from within the MFA network and from our stakeholders tells that absolutely the most important aspect about our development cooperation is the need for continuity in selecting policy priorities. Continuity and long-term commitment are crucial with regard to planning, limited human resources and participation of national stakeholders. Predictability of cooperation and funding are important values for our development partners.

The 2007 Peer Review recommended to strengthen development co-operation skills through recruiting experts and improving for the diplomatic, non-development specialist, and to ensure that technical experts receive systematic training on MFA regulations and practices and are fully integrated into MFA structures. This recommendation has been responded to by particularly the following measures: developing the training on both development policy and on development cooperation skills, the completion of the electronic case management system, measures to streamline procurement, tackling the situation, remuneration and career development of the experts of development cooperation in the overall MFA human resources strategy. Consultants are also used extensively and in close cooperation as trainers and discussion partners.

1.5 Introduction to the new Development Policy

The Parliamentary elections were held in March 2011 and the new Government (June 2011-) set the following priorities for development policy in its Programme: poverty reduction and the achievement of the UN millennium development goals (MDGs as main priority, placing an emphasis on partner countries' needs and ownership). Government also calls for better aid effectiveness and quality, policy coherence and results-based management as well as reduction of aid fragmentation and focus on donor cooperation and coordination. In its own development cooperation, Finland emphasizes the rule of law, democracy, human rights and sustainable development. The special priorities are education, decent work, reducing youth unemployment and improving the status of women and children. Efforts will be made to enhance Finland's involvement in and contribution to multilateral cooperation and to support greater coherence and effectiveness in the European Union's development policy.

The forthcoming 2012 Development Policy, subject to approval by the Council of State as a Government Resolution in February 2012, has been under active preparation since September 2011. During this process, which was led by a steering group chaired by the Under-Secretary of State for Development, the results of particularly the synthesis evaluation of 22 sectoral evaluations and the evaluation of results-based management from 2010 were extensively utilised. Open consultations were organised with all relevant stakeholders, and lively discussions were held in four thematic sessions. There was also a public email address opened for written contributions and ideas. The first internal draft was extensively commented by all Ministry's departments and foreign representations. The first reactions of the stakeholders to the official draft policy that was sent for comments in December 2011, have been very positive.

The 2012 Development Policy renews Finland's policy in order to respond to the changing environment and future challenges, as well as to support reducing aid dependency. Finland will take an active role in formulating the post-2015 development goals, as Finland strives for more coherent integration of the three dimensions of sustainable development – economy, society and environment.

Extreme poverty is globally the most severe human rights issue. Consequently the new Finnish Development Policy is set on a human rights-based approach. More emphasis will be put in promoting universal human rights, democratic governance and rule of law as well as responsible government. Finland also promotes green inclusive economy: human and ecological well-being, social justice and equity as well as good governance.

Finland's ways to operate are based on respect for democratic ownership and accountability, effectiveness, transparency and openness, as well as policy coherence. Finland focuses its work in least developed countries in Africa and Asia and concentrates its efforts around the thematic orientations and objectives of the policy. The policy also calls for greater flexibility in use of aid instruments as well as complementarity between the aid modalities. There are three, partly renewed, cross-cutting principles that will apply to all operations: gender equality, climate sustainability and addressing inequalities.

The objectives for Finland's development policy are clustered around four themes:

1. A democratic and responsible society that respects human rights
2. Inclusive and job-creating green economic development
3. Sustainable management of natural resources and comprehensive environmental protection
4. Stronger human development

Humanitarian assistance is discussed separately due to its impartial, needs-based character even if financed by development appropriations.

The new strategic orientations will be implemented through new country programmes. Multilateral and regional cooperation will be assessed and new more effective strategies to advance relevant policies and objectives will be formulated. The funding to multilateral cooperation will increase, as will the funding for the CSO development cooperation projects. The effectiveness and complementarity of the cooperation of both multilaterals and NGOs will come under better scrutiny. Some new private sector instruments or new partnerships will be developed according to the priorities of the new policy.

The emphasis on development results comes in the forefront of this policy. Target-setting will be clarified based on partner countries' own poverty reduction or development strategies. Baseline data will be improved and, when relevant, jointly assessed, and systematic reporting and monitoring of the activities will be improved. The implementation, effectiveness and results of the policy will be annually reported to the Parliament, and regularly to the inter-departmental Development Policy Steering Group.

The Government will give Parliament a Communication on the effectiveness and coherence of development policy in early 2014. Awareness -raising and communication will be more transparent to enable citizens to assess the results of and participate in Finland's development cooperation.

1.6 Fragile states and situations

Fragility is one of the several factors that Finland considers when engaging in a long-term partnership with countries like Nepal.

Finland has supported the state-building process of Afghanistan since 2002 and there are plans to significantly increase this support. Although the Palestinian Authority is not a de jure state it has all the characteristics of a fragile state and Finland has supported the state- building process in the Palestinian Territories since mid-1990s. More recently, fragility was one of the key elements in the

considerations to support state- building in South Sudan. Kosovo has been supported as consolidating post-conflict state-building efforts.

Finland utilizes the policy guidance documents prepared by the OECD/DAC on fragility and state-building. As a member of the EU, Finland also makes use of the documentation prepared jointly within the EU. Currently there is no specific policy guidance on fragile states in Finland, but fragility is an element in the forthcoming Development Policy. The Government Programme states that Finland will prepare a fragile states strategy. In addition, a policy paper titled Development and Security in Finland's Development Policy: Guidelines on Cooperation dated 2009 addresses conflict prevention and post- conflict engagement issues. Finland's Action Plan for Peace Mediation was launched in 2011.

The above documents provide guidance for conflict- sensitive development and post -conflict engagement, too. For justice and security system reform, Finland actively uses the OECD/DAC guidelines and EU documents. The training on justice and security system reform provided by the Finnish Crisis Management Centre (and conducted by DCAF/ISSAT) is largely based on the OECD/DAC guidelines and the EU concepts, and use practical examples from the UN and EU missions.

Successful transition calls for effective information sharing and coordination strategies, as well as joint planning between different actors. When planning for humanitarian assistance, the MFA Humanitarian Unit always consults the respective Regional Units and the country desk officers before deciding on the funding strategy. Also, consultations take place between units when planning for transition and recovery, which is under the responsibility of the Regional Departments.

Challenges for the work on fragile states usually relate to limited resources and predictability of funding.

1.7 Cross-cutting themes

The 2007 Development Policy emphasized three cross-cutting objectives:

- promotion of the rights and status of women and girls; gender equality and social equality.
- promotion of the rights of easily marginalised groups, especially children, persons with disabilities, indigenous peoples and ethnic minorities, and the promotion of their equal opportunities of participation
- HIV/AIDS as a health and social challenge.

These cross-cutting objectives were selected because they are derived from international human rights conventions and political commitments relevant to the development policy (e.g. the MDGs). Paying attention to cross-cutting objectives is one of the standard practices of good governance and competent programme and project planning, including human rights-based approach to development.

Although environment is not explicitly one of the cross-cutting themes, there are other principles in the Development Policy that must be taken into consideration in all action, such as sustainable development. The objective is to ensure that the development cooperation activities do not cause any

risks to the environment or health. Possible means to deal with this matter are project-specific environmental impact assessments (EIAs) and strategic environmental assessments (SEAs), as specified in the Paris Declaration.

A team of sectoral advisers working with cross-cutting themes was established in the Department for Development Policy. As one of the priority assignments, the team developed a website <http://formin.finland.fi/public/default.aspx?nodeid=43633&contentlan=2> with selected guidance and tools on each of the cross-cutting themes to facilitate mainstreaming in development policy and cooperation.

The cross-cutting themes have, in general, been better integrated into policy and implementation levels. Concrete actions to this effect were the guide issued in 2009 “Instructions on integration of cross-cutting themes in all development cooperation” and staff capacity building efforts that followed. According to the instruction, integration of cross-cutting themes in all activities is a binding principle and reasons must be given in case of any deviation from the principle. It further describes a three-pronged strategy for integration consisting of i) mainstreaming, ii) targeted action/projects and iii) policy dialogue; and provides a general check list for reviewing programmes and projects in support of the cross-cutting perspective, including allocation of resources. Since 2007, the hands-on support provided for integration of cross-cutting themes was mainly directed to bilateral support programmes and projects.

Mainstreaming is further supported by systematic integration of cross-cutting themes in all stages of the new case management system (AHAKYT) launched in January 2012. Expert opinion by advisers includes consideration of cross-cutting themes and continues to be provided as background for the review of project proposals by the Quality Assurance Board.

The sectoral policies and strategies developed or updated since 2007 pay more attention to the cross-cutting themes, but progress is still uneven between sectors and between cross-cutting themes.

It remains a challenge to determine concrete objectives for cross-cutting themes at policy dialogue and programme level, combined with adequate allocation of resources to meet the objectives and to report on progress. Based on experience so far, integration of cross-cutting themes in the early stages of country strategy development, programme identification and planning are emphasized alongside further staff capacity building. Instead of considering mainstreaming as a panacea, a balanced combination of approaches including mainstreaming, targeted action and policy dialogue is needed. Inclusion of cross-cutting themes in the overall results-based management approach is an effective way of promoting these priorities in a streamlined manner. It is also likely to strengthen the accountability for integration of cross-cutting themes at all levels. More clarity on accountability could be gained by upgrading the 2009 instruction to the level of a more detailed norm, with clearer division of responsibilities for action.

1.8 Accountability, communication and development awareness

In 2008, the MFA issued a Communications Strategy as guidelines to the staff. The main objective was to involve all staff in communication about the issues within MFA's mandate. As part of the Strategy the Development Communications Group (1.1.2012 Unit for Development Communications) prepared a separate "Strategic Action Plan for Public Awareness" in the beginning of 2009. It stated out main messages, target groups and channels for communication. The focus is transparent information regarding the use of funds and bringing out results that have been achieved, not forgetting lessons learned and accurate information of possible failures and corruption cases. Knowledge sharing, through distribution of data and publications, the Magazine, Web and social media, public fairs and seminars are all done in a way to reach the public in all geographical areas, using such language and such communication tools (films, games, books, posters, brochures) that makes the information understandable for different target groups. The Action Plan was updated in 2010 and 2011 respectively, with more detailed timetables and special initiatives.

A new program "Development Policy for Finnish Opinion Leaders and Decision- Makers" was introduced in 2007 and four annual programs have now been carried out. The aim of the program is to introduce global development issues, Finnish Development Policy and practical development cooperation in the field, to Finnish MPs, Business Executives, Chief Editors and high level management of other ministries and universities, in order to broaden their knowledge and involvement in the design of Development Policy as well as to activate the ongoing discussion in the society. The concept was extended to a similar program for Finnish journalists and corporate communicators in 2009. This year, a third Development Academy will kick off. The programs have been successful and have reached their objectives.

With the leadership of the Ministry of Education and Culture (MEC), the Finnish National Strategy for Global Education was published in 2007, and the MFA participated in the process of formulating the strategy. The MEC had the strategy evaluated in 2011. The evaluation encouraged the responsible ministries to intensify the cooperation in the field – with keen eye on key policy documents, core curricula and teacher training. The evaluation also stressed the significance of global education. The main conclusion of the evaluation was that a new strategy is not needed, but communication and cooperation between different ministries and stakeholders needs to be improved, and national coordination system and assessment mechanisms should be created. The Ministry of Education and Culture should take the lead in the process.

The follow-up report for the 2004 Peer Review of Global Education (GE) in Finland was published in March 2011. The report concentrates on reflecting the progress since 2004 and assesses the current situation in the field. The review found that awareness of the program and its impact have remained modest but global education is being taught extensively. Aims guiding towards global responsibility have been incorporated into formal and informal education in accordance with the principle of life-long learning.

Guidelines for Civil Society in Development were published in November 2010. The NGOs themselves are innovative in their education and information projects and have best tools and ideas. MFA does not have specific requirements for the content of these projects. However, instructions for NGOs on how to

implement education and information projects do exist. MFA emphasizes the quality of information and education projects and this is very much also a concern to the NGOs themselves. It is important to engage the NGOs in the field and use their expertise and networks to find the audiences that official information campaigns do not reach.

The budget for the Unit of Development Communications in the Department of Communications and Culture is ca 1, 8 million Euros annually, to cover public awareness and participation in the implementation of the Finnish National Strategy for Global Education. The budget of the Civil Society Unit in the Department for Development Policy for projects related to development information/awareness- raising and development education is about 5, 5 million Euros in 2011.

Regarding public support for development cooperation, it should be noted that regardless of economic downturn and political changes in Finland, there are no significant changes in the opinion poll that is carried out every year in June. 80% of Finns are still in favor of either increasing or keeping our development budget at the same level.

CHAPTER 2: POLICY COHERENCE FOR DEVELOPMENT

2.1 Main developments since the 2007 Peer Review and 2009 mid-term review

The DAC mid-term review in 2009 noted that Finland was making good progress in implementing the 2007 recommendations on policy coherence. Policy coherence for development was one of the guiding principles in the 2007 Development Policy, linking development policy to national rural, security, environment, trade and immigration policies. This development was seen to have been fostered by the national EU coordination system and inter-departmental teams.

Policy coherence for development has been promoted within the Ministry for Foreign Affairs and the whole state administration, emphasizing the point that domestic and international policies should support or at least not undermine developing countries' development efforts. The OECD Council Recommendation of 2010 on good institutional practices in promoting policy coherence for development has been widely disseminated e.g. through seminars for other ministries and civil society organizations, and through inter-ministerial high-level meetings chaired by the Under-Secretary of State for Development.

The priority areas for PCD in the 2007 Development Policy were trade and development, agriculture/food security and development, relationship between poverty and environment/climate change as well as information society and development. PCD in these areas has been strengthened through guidelines and strategies like Development Policy guidelines on Agriculture and Food Security, Action Plan for Aid for Trade 2008-2011 and a complementing Import Policy Strategy, Development and Security in Finland's development policy, Finland's international strategy on water management and Development Policy guidelines on Forestry. All these have been prepared together with the line ministries and other stakeholders.

Taxation and development, as a new PCD area, got broader attention as Finland joined donors and participants in the Joint Tax & Development Programme of the Fiscal Affairs Committee and DAC of the OECD. In 2011, the MFA contracted a study on the various international activities on tax matters and surveyed its partner country embassies to identify key issues and means to support the partners in tax matters, particularly through promoting state-building and civil society at the country level. The MFA also organised an internal workshop on the theme to raise awareness of the staff, and followed-up the EITI activities.

The inter-linkages between security and development have been given special attention. A paper on Development and security in Finnish development policy was drawn, with a comprehensive approach to promote prevention, management and mitigation of violent conflicts, and Finland's strategy on comprehensive crisis management was adopted. Funding for measures to support the security sector was increased. Measures were taken to strengthen the peace-building capacity of the African Union, support the Palestinian civil police development and strengthen the capacity of jurisdiction in Afghanistan. **In 2010 the MFA established a standing coordinating committee to monitor and promote the development of crisis management activities. Finland particularly supports strengthening democratic institutions and civil societies in developing countries, developing local government, and helping to combat corruption. Finland promotes cooperation between government bodies, employers and labour organisations in creating jobs and improving labour market regulations.**

Policy Coherence for Development and Aid Effectiveness are among the priorities for Finland's policy objectives for the policy work in the European Union (2009 strategy). Finland has influenced the EU Commission Work Programme for PCD, contributed to the EU Report on PCD and to the Council Conclusions on PCD. PCD is also one of Finland's priorities in the OECD/DAC. Finland seconded a PCD expert to the OECD in 2007 to 2010; partly on the basis of this work the PCD Unit within the Office of the Secretary General of the OECD was established and the OECD Council Recommendation prepared and negotiated between the various policy committees. With regard to the United Nations, Finland organised in 2010 a pre-symposium for the ECOSOC Development Cooperation Forum, with PCD as the main theme.

Regular reporting on and monitoring of the progress with PCD takes place in the form of 1) The Government Annual Report to the Parliament, 2) the Annual Report of Development Cooperation (MFA), 3) the bi-annual EU PCD report with the whole-of-government responsibility to prepare it, and 4) specific parliament hearings of the Minister for International Development and the MFA officials.

As a concrete example of the effectiveness of institutional structures in implementing policy coherence in the field of trade and development was the combined portfolios of foreign trade and development assigned to the same minister during two governments from 2003 to 2011. This resulted e.g. in active bilateral and multilateral activities and funding for Aid for Trade, and in coordinating the trade and development perspectives in formulating Finnish positions in the EU fora and wider.

To raise public awareness of PCD, the official reporting to the Parliament, the various guidelines and the Annual Report of Finnish Development Cooperation are publicly available as print versions, brochures and on the MFA and Global Finland websites, which now feature events, documents, tools and links related to PCD. Certain civil society organisations actively support PCD and raise public awareness through their own channels. The MFA has organized seminars together with the CSO to promote PCD.

As a PCD exercise and to promote economically sustainable development, the Ministry for Employment and Economy adopted its own strategy to implement Government's development policy. The MFA and the Ministry for Employment and Economy have together provided information services to the private sector to foster cooperation.

As another PCD exercise, and in close cooperation of the MFA and the Ministry of Agriculture and Forestry, Finland advocated the integration of agriculture and forestry as part of climate change mitigation, which was concretized by Finnish funding for two large projects of the FAO.

2.2 Measures to promote PCD in the new Development Policy

The newly appointed advisory body for the Government, the Development Policy Committee for 2011-2015 has, as its main tasks, aid effectiveness and policy coherence for development, with regard to follow-up, monitoring and making new initiatives. Together with the strong emphasis on PCD in the new Development Policy, the PCD is bound to figure much more prominently on the Committee's agenda.

The Government will submit a Communication on aid effectiveness and policy coherence for development to the Parliament in early 2014. In the new Policy it is suggested that the Government develops strategic steering of policies relevant for developing countries. In order to increase coherence, the use of existing inter-ministerial mechanisms should be strengthened and new necessary mechanisms like thematic broad-based working groups created. In particular, in the national coordination system for EU affairs, which in Finland includes all areas, ministries and levels, the impact for development or developing countries of the policy decisions should be better taken into account.

According to the Government Programme, Finland will work actively in the European Union to increase the coherence of EU policies having impact on developing countries. Finland will also implement the

OECD recommendations and apply OECD's PCD tools like the Policy Framework for PCD. In the first instance, the latter could be done with the multi-sectoral theme of food security. A coordination group could include representatives of various ministries, CSO and academia, and foster exchange of information and coherence of Finland's positions and interventions in different international fora. Besides food security, already existing PCD priorities like trade and development, taxation and development (as a key element in mobilizing domestic resources), migration and development as well as security and development will be strengthened both at national and international level.

2.3 Challenges for strengthening policy coherence at national and EU levels

Unofficial cooperation mechanisms are not sufficient in trying to influence Finland's national policies or official positions on various EU policies affecting development. Therefore, the Foreign Affairs Committee requested, in their Memorandum of spring 2011, better use of existing official mechanisms by stating that the national EU coordination should be used more efficiently for implementation of PCD and increasing transparency. EU's role is crucial, being one of the most important trading and other partners of the developing countries. For instance, policies towards EU's strategic partners include a strong connection to policy coherence.

Finland has emphasized that the link between foreign, security, development and environmental policies should become stronger to ensure policy coherence for development in all relevant EU policies. In this regard, Finland has highlighted the need to pay more attention to the impact of internal EU policies to external relations.

The Foreign Affairs Committee of the Parliament also proposed that the government should draw inter-ministerial strategies on environment and development and security and development. In MFA's view, and as the MFA only has a promoting role vis-à-vis PCD, this would require high-level decisions by Ministerial Committees of the Government and the Prime Minister.

EU's reporting on PCD should be clarified and modified in order to better benefit the whole state administration. The EU bi-annual PCD reporting could serve as the basis for national PCD reporting in implementing better coherence.

It would be very important to agree on certain priority areas for national PCD e.g. food security, environment, agriculture and trade.

The Finnish strong and multi-layered coordination mechanism of the EU affairs has been widely appreciated by the DAC and other international actors. However, the EU coordination mechanism lacks resources to properly address PCD issues, and PCD relevant issues are not easily included in

the coordination system. This is particularly the case with the capacity to analyze and prepare impact assessments of different policies with regard to development objectives.

Whole-of-government approaches to aid and development

To some extent, the whole-of-government approach has always featured in the implementation of the Finnish development cooperation. Some of the other government ministries are responsible for implementation of certain, often thematic or regional, components of the development cooperation appropriations administered by MFA.

As the MFA is responsible for all external relations, including development, between the Finnish government and the governments of the countries where Finland is represented, it is possible to coordinate well our activities and dialogue at country level through the embassies. The objective of policy coherence is included in country programs of the partners and is concretely discussed in country consultations, where also representatives of other ministries participate or have been consulted by the MFA.

PCD is implemented in partner countries through thematic clusters, e.g. rural development, environment, water, forestry, energy and information technology clusters. From the Finnish side, the society at large is represented in these clusters.

Fragile states and situations

Since 2006, the MFA has been leading an inter-ministerial working group on Security and Development (chair from the political department and secretary from the development policy department). Ministries of Labour, Interior, Justice and Defence are invited to participate. Some meetings are open for civil society representatives as well. The working group is one way to advance whole-of-government approach in discussions on fragility and conflict-affected situations.

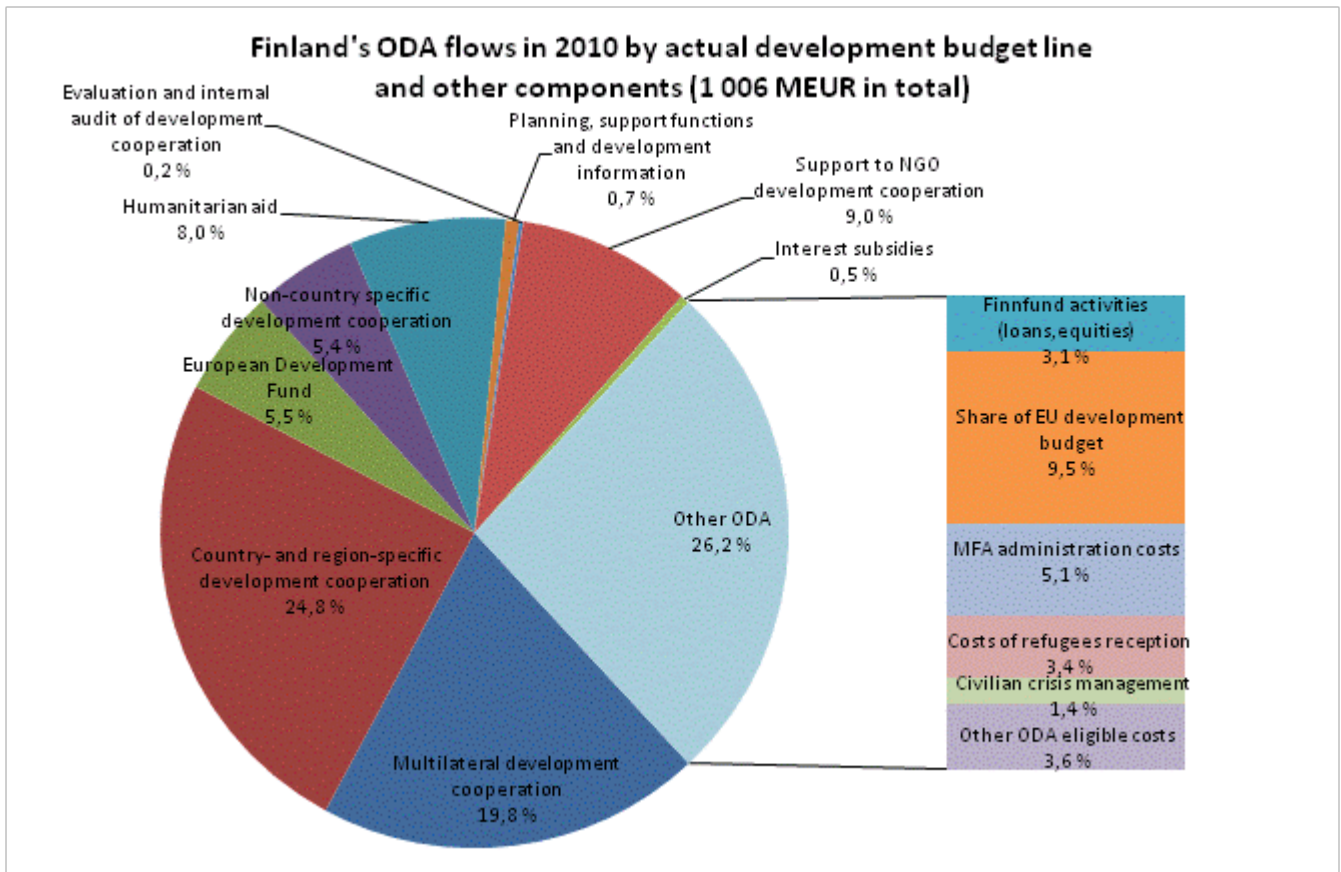
Joint analysis is regularly conducted, mainly related to Finnish support to Afghanistan. Planning and strategic peace-building frameworks are discussed and prepared jointly by the ministries. There is less whole-of-government approach to other partner countries, as in these countries the main instruments used focus on development cooperation and diplomacy and in some instances humanitarian assistance.

CHAPTER 3 ODA VOLUME, CHANNELS AND ALLOCATIONS

3.1 Overall aid volume

Finland's net ODA flows have been increasing in volume steadily during the last decade (see graph in 1.4). However, the net ODA as a share of GNI increased rapidly after the economic downfall in 2008. In 2010, Finland's net ODA/GNI ratio (0,55%) was at its highest level since the turn of 1990s (at the time Finland's economy was in a recession). Finland was among the eight EU members that met the intermediate minimum ODA target of 0.51% of their GNI in 2010. Finland's net ODA increased in absolute terms by over 340 MEUR between 2006 and 2010. This amount was higher than expected, especially due to some non-budgetary components of ODA that are ex post ODA-reportable. In recent years, Finland's economy has been affected by the global financial crisis. This unpredictable economic situation has led to challenges in meeting the relative ODA growth targets. According to the latest projections, Finland's national income will not grow significantly, or could even decrease, on 2012. However, the ODA appropriations will increase until 2012 which is quite remarkable during these financial constraints.

Finland is committed to achieve 0,7% ODA/GNI level by 2015. According to the current estimates Finland's ODA will increase up to 0,56% ODA/GNI in 2012. The economic and financial crisis in Europe impacted on the Government's negotiation of the spending limits held autumn 2011. Cuts were also made for development co-operation funds. In the Government's decision of the spending limits for 2012-2015 (5th of October 2011) ODA administrated by the MFA for the years 2013-2014 remains at the level of year's 2012 amount and it increases about 20 MEUR in 2015. However, in the Government's decision it is stated that Finland is committed to steadily increase ODA towards the 0,7% target. According to the Government's decision the revenues gained from auction of EU/ Emission Trading System emission allowances will be channeled to development co-operation. A challenge for upcoming years is to ensure that enough revenues from EU/ETS emission allowances auction are indeed allocated to development co-operation, to close the gap between the targets and the spending limits.



The total development cooperation budget line is administered by the MFA. This budget line covers roughly three quarters of Finland's ODA-reportable flows. Other reportable components are from other ministries' budget lines as well as some flows that are administrated by the MFA, such as civilian crisis management and MFA's administration costs that are partially reportable as ODA. The total development cooperation budget line is allocated to nine broad budget categories according to themes or instruments: multilateral development cooperation, the European Development Fund, bilateral country-to-country and regional development cooperation, humanitarian aid, NGO cooperation, planning of development cooperation, evaluation and internal auditing, concessional credits and other development cooperation.

Regular development cooperation disbursement per budget line in 2010	MEUR
Multilateral development cooperation	199,1
Country- and region-specific development cooperation	250,3
European Development Fund (EDF)	55,4
Non-country specific development cooperation	54,1
Humanitarian aid	81,0
Planning, support functions and development information	6,9
Evaluation and internal audit of development cooperation	2,0

Support to NGO development cooperation	90,3
Concessional credits	4,7
Total	743,9

Finland's development policy complies closely with the DAC recommendations. Finland respects the ODA integrity and has taken initiative in the Working Party on Statistics (WP-STAT) to clarify and harmonize some components of ODA that remain open to interpretations, such as ODA reporting of in-donor refugee costs. Other resource (non-ODA) flows for development have been more difficult to compile. Especially private flows to developing countries have been difficult to receive from the Bank of Finland, due to confidentiality issues and/or lack of detailed information. The MFA has been in dialogue with Finnvera, the Official Export Credit Agency (ECA) of Finland, for more detailed information on the export credits (that are defined as other official flows). Similar discussions have taken place with Finnfund (Finnish Fund for Industrial Cooperation Ltd.) for non-ODA loans and equities.

The quality of statistical ODA reporting has considerably improved since the previous peer review. Finland has been able to report all (ODA, OOF and private) flows at the project level (CRS++). However, challenges on information systems continue, as there is still a clear lack of a well-developed and integrated system. The data management and compilation work still requires labour-intensive manual efforts. However, some development work will start early 2012 and new development processes are ahead. The new case management system (AHAKYT) was introduced in January 2012 to facilitate and guide the desk officers on process management. Furthermore, plans for an integrated data warehouse solution are being developed. The objective is to build a technical solution for data collection and compilation. This development work would enable Finland to better meet the transparency commitments required by the Accra Agenda for Action and Busan Outcome Document. The need for more open, detailed, forward-looking and transparent data on ODA flows is acknowledged in the forthcoming Development Policy.

The bilateral/multilateral distribution from the overall ODA flows has been around 60 % on bilateral and 40% on multilateral core contributions. The Government is committed to increase the share of multilateral funding. Furthermore, the proportion of support to civil society organisations will be increased. At the same time, it is expected that the current form of concessional credits will be faded out. More emphasis will be on funding Finnfund. The fragmentation on Finland's country-programmable aid has been acknowledged. The Government is focused on reducing the level of fragmentation and improving the coordination with other donors.

The MFA compiled all key statistics of ODA flows in a publication called "Suomen kehitysyhteistyön perustilastot 2010" (The main statistics of development cooperation of Finland). This publication is only in Finnish and can be downloaded from the MFA website:

<http://formin.finland.fi/public/download.aspx?ID=68164&GUID={20947C3D-47AD-4266-A341-A0DA72FC54CF}>.

The publication has received lot of positive feedback from the civil society and general public interested in development issues. The publication has been widely distributed by the MFA's development communication unit as well as through the NGO Service Centre for Development Cooperation (KEPA).

The publication is the most extensive ever produced on ODA statistics. The contents of the publication is divided into following sections:

1. A general overview of Finland's development cooperation with main aggregate statistics (p. 1-17)
2. Terms and definitions (p. 18-24)
3. Main ODA flows by the DAC countries (p. 25-36),
4. Finland's main aggregate ODA statistics 1975-2009 (p. 37-48)
5. Finland's detailed ODA statistics 2006-2009 (p. 49-96)
6. Information on non-DAC donors and development indicators of developing countries (p. 97-150)
7. Annexes and references (p. 151-162).

In addition to this publication, some key statistical products are presented (as pdf-files) in the MFA website (in Finnish and English): <http://formin.finland.fi/public/default.aspx?nodeid=15392&contentlan=2&culture=en-US>

Furthermore, the MFA is committed to enhance the transparency on ODA flows. Technical development plans are underway for an integrated data solution. The objective is to deliver more accessible and dynamic service on Finland's ODA flows in a transparent format. These technical developments will take into account the transparency requirements agreed at the OECD/DAC as well as other transparency initiatives. Initial steps are already taking place for an open and accessible online interface where users can easily browse information on Finland's ODA statistics.

3.2 Bilateral channel

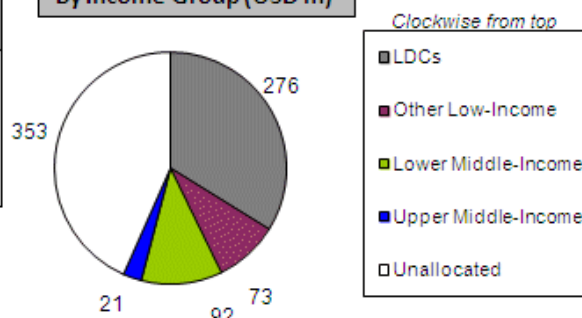
FINLAND

Gross Bilateral ODA, 2009-10 average, unless otherwise shown

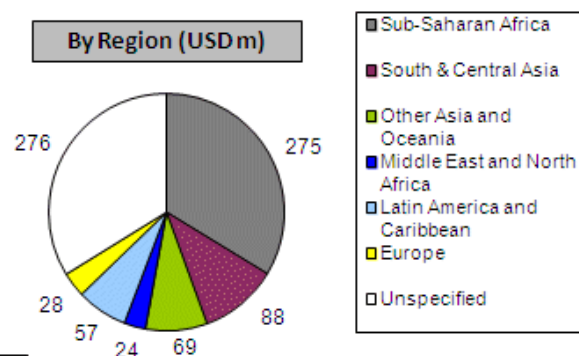
Net ODA	2009	2010	Change 2009/10
Current (USD m)	1 290	1 333	3.3%
Constant (2009 USD m)	1 290	1 377	6.7%
In Euro (million)	926	1 006	8.6%
ODA/GNI	0.54%	0.55%	
Bilateral share	61%	63%	

Top Ten Recipients of Gross ODA (USD million)	
1 Tanzania	52
2 Mozambique	45
3 Afghanistan	27
4 Vietnam	26
5 Ethiopia	25
6 Zambia	23
7 Kenya	22
8 Nepal	21
9 Sudan	17
10 Nicaragua	16
Memo: Share of gross bilateral ODA	
Top 5 recipients	21%
Top 10 recipients	34%
Top 20 recipients	44%

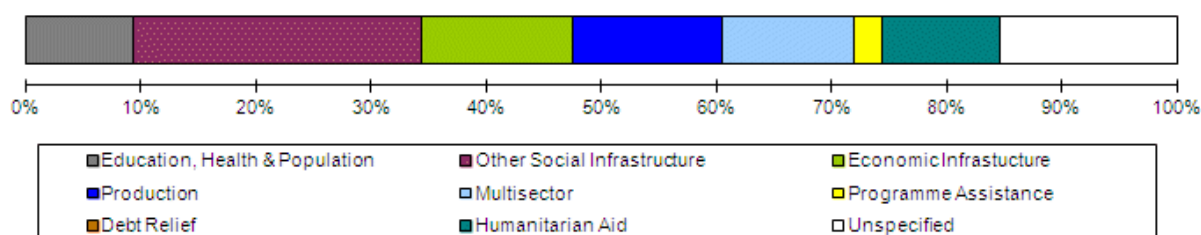
By Income Group (USD m)



By Region (USD m)

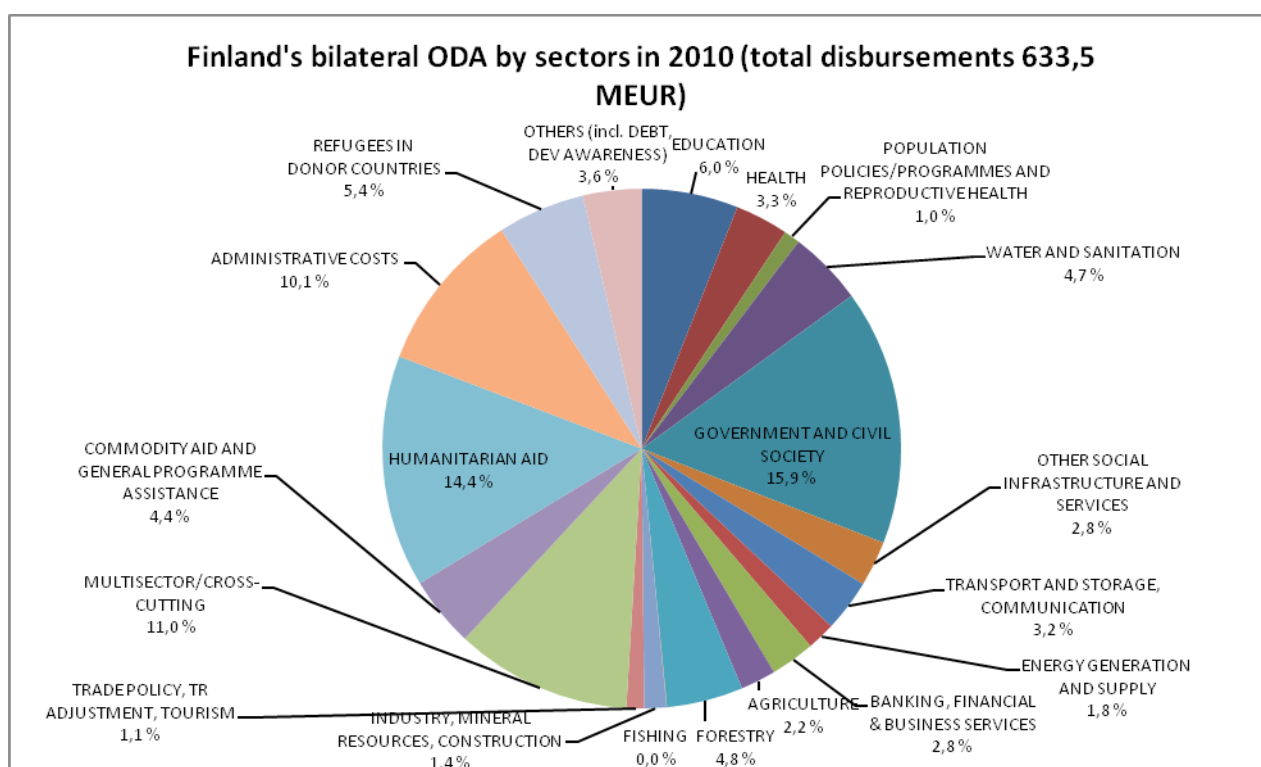
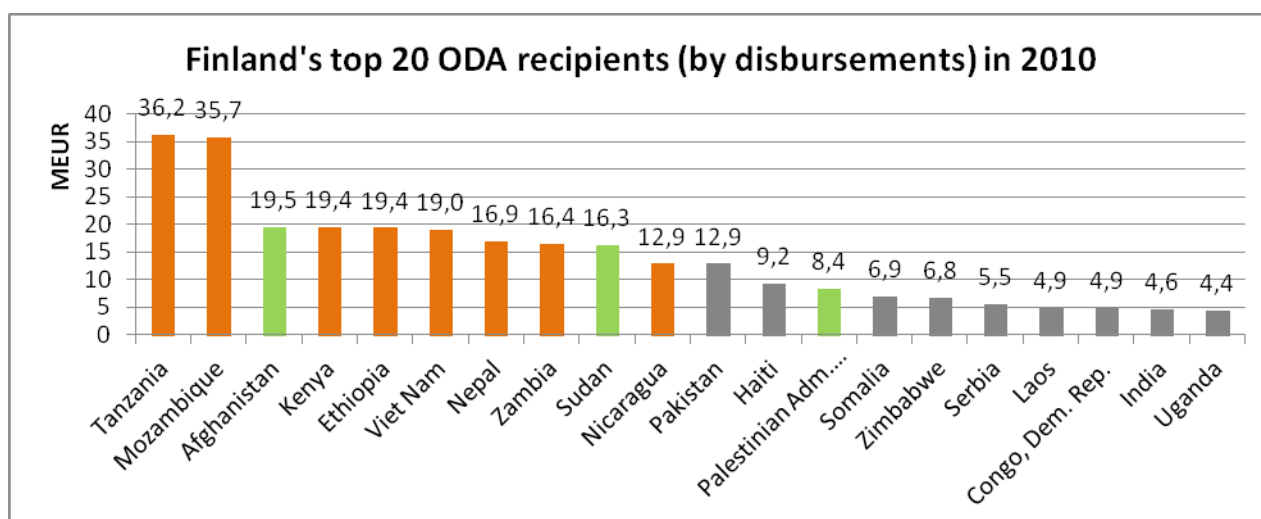


By Sector

Source: OECD - DAC ; www.oecd.org/dac/stats

Approximately one third of Finland's total bilateral ODA is allocated to LDCs (2009-2010 average, see picture above). If one takes into account only the bilateral ODA that is allocated by income group, the share is almost 60%. By geographical focus, Africa is the largest region, as it covers roughly one third of all bilateral ODA. From region-specific bilateral ODA, Africa receives around half of country/region-specific bilateral ODA. Both of these shares (ODA to LDCs and ODA to Africa) have increased compared to the level in 2005-2006. Finland's top ten recipients have remained rather same for the last five years. These are eight long-term partners and two post-conflict countries. Unfortunately, the share of the top ten recipients has not increased (another evidence of fragmentation), which remains a challenge although improvements are underway. Finland uses the DAC policy objectives (markers) in the statistical project-level reporting (CRS++). However, since this information is rather qualitative than quantitative, Finland has gone further to provide quantitative information with marker information as the starting point. Especially concerning the Rio markers, Finland has defined percentages for climate change mitigation and adaptation from all bilateral ODA flows. These percentages are applied to the quantitative information (disbursements and planned disbursements, where available) when compiling data on climate financing from ODA flows. Discussion has taken place with Finnvera and Finnfund on

other official flows' contributions to climate financing. However, this remains a challenge and further work is still needed.



3.2.1 Fragile and post-conflict situations

Nepal is a good example of a partner which Finland continued to support even during the (Maoist) insurgency; after the peace agreement, the volumes of development assistance have steadily grown. In most cases budgets are allocated on multi-year basis for better predictability. It is recognised that supporting fragile states entails political and fiduciary risks. With the case of Afghanistan, it is acknowledged that the governance environment of the country is very challenging and yet there is a commitment to support the state- building efforts.

A significant portion of the Finnish humanitarian assistance is allocated to fragile states and protracted conflicts. (See chapter 6 for the allocation process). The humanitarian assistance is yearly about 10% of the total ODA budget. Finland has improved predictability of the humanitarian funding by providing multi-year core contributions to those UN agencies under responsibility of the Humanitarian Unit, namely UNHCR, UNRWA, OCHA and UNISDR. WFP gets multi-year core contributions from the UN Development Unit. As large part of the humanitarian funding is channeled through the UN agencies, their risk management systems are of crucial importance. Finland has actively raised risk management issues in the Executive Boards of the relevant UN agencies, such as WFP.

The objective of linking relief and rehabilitation to development is highlighted in several Finnish development policies and strategies. The 2007 Development Policy recognizes the importance of the LRRD and Finland's Humanitarian Assistance Guidelines (2007) specifically highlight the need for a comprehensive continuum as an underlying principle of humanitarian assistance and development cooperation. This has also become a theme for internal training. New guidelines for LRRD project and programme management will materialise in 2012.

To ensure aid effectiveness and to avoid fragmentation, Finland has focused its bilateral development activities on eight long-term partner countries. On the contrary, the humanitarian assistance is targeted on needs basis to ODA eligible countries. Therefore, the LRRD in the Finnish Development Cooperation is mainly achieved through multilateral channels, such as the United Nations, the European Union and the World Bank, and through the work of the NGOs. Finland does not have a separate instrument or budget line for transition and this can sometimes hamper predictability of funding. Finland has often invested in post-conflict transition and reconstruction through Multi-Donor Trust Funds (MDTF) and the UN Peace-building Fund. This has also facilitated the common risk management.

One factor that strengthens the implementation of LRRD in Finland's case is its flexible and predictable funding for humanitarian organizations and actors (very loose earmarking). Also some humanitarian appeals and programmes include early recovery and reconstruction elements. As stated before, consultations between the humanitarian unit and regional departments take often place, and in the transition phase, the regional departments take the lead.

The 2007 Development Policy defined several countries as recovering and transiting out of conflicts. In recent years, Finland has directed significant amounts of support to several post-conflict countries such as Afghanistan and South-Sudan. Some fragile states have been provided with temporary support after a natural disaster, for example Pakistan and Haiti. Often this type of support is channeled through UN system. Finland has actively participated in the discussions taking place in OECD-DAC/INCAF/Aid

Architecture and Financing task team and in the preparation of the Transition Financing Guidance. Finland also endorsed the New Deal for Engagement in Fragile States.

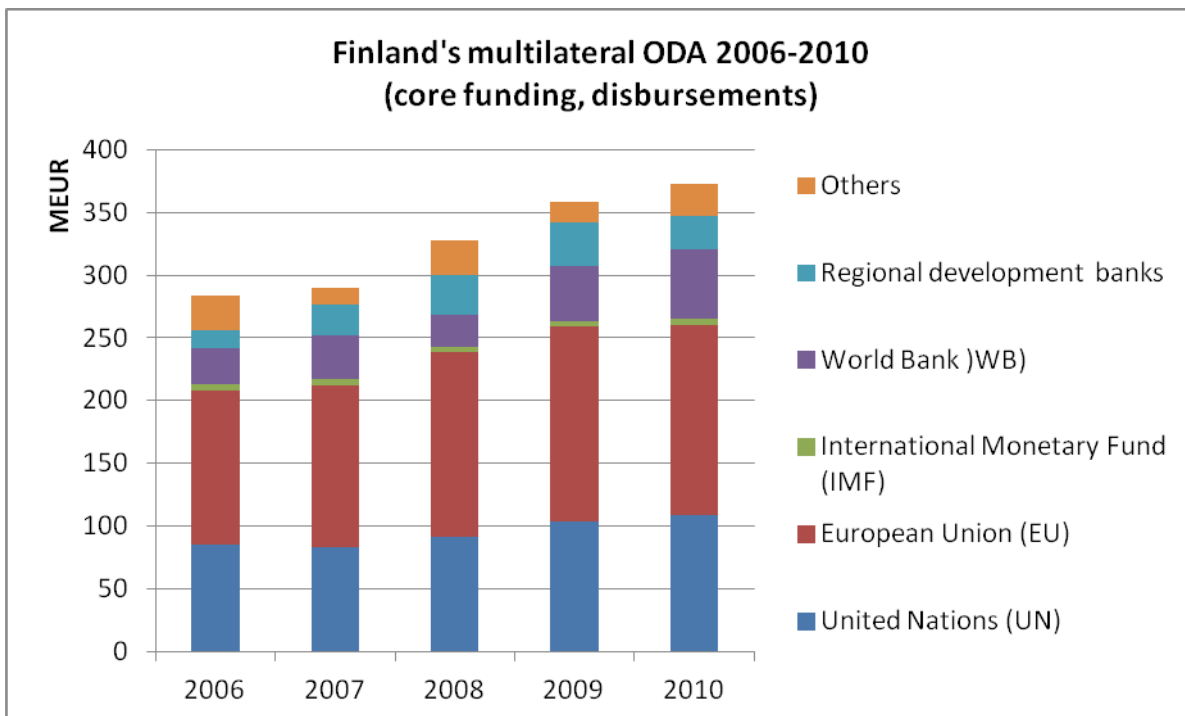
3.2.2 Non-governmental organisations (NGOs) and civil society

The share of ODA spending to and through national, international and southern NGOs/civil society groups has increased steadily since 2007. The share of support to NGOs and civil society will increase in the near future. Support to southern NGOs is managed through regional departments and embassies. There are several selection processes for NGOs to receive ODA support; annual call for proposals for small and medium-sized NGOs' development projects, and another call for proposals of national NGOs for development education and communication nationally. The major share of NGO contributions are funded through partner organisations (currently 11 partner organisations, call for applications previously held in 2008), application for programme-based funding is for three years. The Finnish Service Centre for Development Cooperation (KEPA) and three special foundations (Kios, Abilis and Siemenpuu) apply for funding every three years. Some national UN associations apply for core funding annually. Furthermore, INGOs may apply for funding all year round.

Funding is channeled as support for development projects in the South (for NGOs, INGOs and partner organisations, KEPA, foundations, and national UN associations), as support for development education and communication, or as preparatory missions and conference visits. Support to NGOs is monitored and evaluated by annual reports for NGO projects, discretionary external audits of organisations and projects, monitoring missions to project locations and external project evaluations.

Policy and operational guidance is provided by Guidelines for Civil Society in Development policy, 2007 Development Policy, and Development Cooperation Manual for NGOs including instructions on Partnership Agreement Scheme. The NGOs are entitled to select and decide on their operations, locations and partners. However, in the call for proposals in 2011 MFA emphasized certain thematic and regional preferences (eg. LDC countries). Furthermore, the forthcoming Development Policy 2012 encourages broader collaboration between development actors eg. between official bilateral cooperation and NGOs.

3.3 Multilateral channels



3.3.1 The UN System

The MFA has the overall responsibility for Finland's policy vis-à-vis the UN system, and provides most of the ODA channeled through the UN system. The MFA is also responsible for humanitarian funding. Sectoral ministries are responsible for assessed / membership fee contributions to specialized agencies like FAO, ILO and WHO. General guidance as to the allocation of multilateral funds has been given by the UN Strategy (2007), as well as the Strategy on Multilateral Cooperation (2008). The daily work is guided by agency -specific 'policy papers' that include Finland's priorities and strategy. With the new development policy, key strategies and policy documents will need to be reviewed.

Currently Finland allocates about 36 % of its ODA as core contributions to multilateral institutions. Roughly a quarter of these core contributions go to the UN system. In addition, earmarked (thematic + 'multi-bi') ODA funding is channeled through multilateral agencies. The new Development Policy is expected to place increased emphasis on the UN system. The Department for Development Policy is responsible for the overall planning of ODA funding. The Unit for UN Development Affairs carries out its planning within the financial framework defined by the Department. In addition to annual planning, the Unit makes proposals for the following years' contributions. No binding commitments (e.g. written agreements) are made as to future core contributions to UN agencies. Thematic project funding, instead, is usually based on a written multi-year agreements.

Since 2007, Finland has been able to steadily increase its core contributions to UN agencies. Continued cooperation with selected partners has provided predictability and increased opportunities for influencing the policies and work of the agencies. Based on the levels of annual voluntary core contributions, the principal partners for Finland have been: UNFPA, UNDP, UNICEF, UNAIDS, WFP and WHO. Among these, growth in support has been particularly strong in the case of UNFPA. Continuity is also provided by multi-year project funding. It is expected that many of the thematic priorities to be defined in the new Development Policy will promote continuity to present activities and support. Health, gender and climate for instance are already strongly supported by funding channeled through the Unit for United Nations.

A major development since 2007 was the MFA organisational reform that terminated the Global Department in 2009 and transferred its units to the Department for Development Policy (except the Unit for UN and General Global Affairs transferred to the Political Department). During 2011, an important development at the international level was the creation of UN Women. In line with its strong emphasis on UN reform, as well as gender issues and the empowerment of women, Finland tripled its core funding to UN Women in 2011.

The effectiveness of Finland's multilateral partners, including UN development sector reform (One UN, Delivering as One), continues to be an important priority. This is confirmed in the Government Programme and expected to be an important consideration in the new Development Policy. Finland has actively promoted harmonisation between UN agencies in their boards, in direct contacts with the agencies, and in the TCPR/QCPR processes. Often this is done in cooperation with the Nordic countries and other likeminded donors. The issue of multilateral aid effectiveness is systematically raised in all contacts with UN agencies, including during high level visits (e.g. in 2011 in the context of the visits of the Executive Directors of UNFPA, UNAIDS, UN Women and UNICEF to Finland).

Instead of own performance assessments of multilateral organisations, Finland actively participates in international discussions and joint assessments on aid effectiveness. Finland has been a member of the Multilateral Organisations Performance Assessment Network (MOPAN) since 2004, and has participated in the annual assessments carried out by the network. Finland acted as MOPAN secretariat during 2010, and will take responsibility for UNAIDS assessment in 2012. Bilateral assessments by other donors are also used as sources of information. Finland has actively supported UN development sector reform through UNDOCO, and at country level. Currently, in the Development Policy Department, a senior staff member is tasked with multilateral effectiveness issues. Active roles such as the vice-presidency of the UNICEF board (2012) or chairing the LDC negotiations (spring 2011) give additional leverage in effectiveness and other issues.

The MFA's somewhat cautious approach to vertical funds is expected to continue. Potential risks related to vertical funds include bypassing national policies and institutions, and creating parallel aid mechanisms, additional transaction costs, project mechanisms that are complicated and/or non-harmonised, or not aligned with national systems, and diverting attention from priorities such as health system strengthening. However, MFA has been channeling funds since 2006 to the Global Fund to Fight Aids, Tuberculosis and Malaria. GFATM has been able to mobilize large amount of funds, and has been considered to do efficient work with good results. The Development Policy Department cooperates closely with relevant departments of the MFA, sectoral ministries, and permanent missions on multilateral issues. With regard to policy work in the specialized agencies, it is the relevant line ministry that has the coordinating role. - Bilateral embassies are consulted if needed, and in particular ahead of board meetings.

An evaluation of the Finnish JPO programme was carried out in 2011. The evaluation found the programme to be generally well-functioning, while at the same time pointing at ways to further increase its usefulness. A major challenge identified was the low retention rate of Finnish JPOs in the UN system. Measures are being identified to improve the situation.

Some challenges remain for managing the UN system activities effectively. Constraints in human resources limit possibilities for exerting active influence on UN agencies and at the same time administration and follow up of allocated funds. There is a need for clear policy and good practices vis-à-vis each UN agency as to how core, thematic, and multi-bi funding are channeled through each agency. Furthermore, more coherent national policy where different parts of the administration, when

making their funding proposals, accept and follow the agreed principles of allocating ODA funds would be valuable. Fragmentation of UN agencies' activities (e.g. uncoordinated fundraising by individual departments/units) is a challenge.

3.3.2 International development financing institutions

Finland's international development financing institution partners include World Bank/IDA, African Development Bank and Fund, Asian Development Bank and Fund, Inter-American Development Bank and Inter-American Investment Corporation, International Fund for Agricultural Development, and Nordic Development Fund. Finland's participation in the international debt relief initiatives, the HIPC and the MDRI, has also been significant. Since the beginning of HIPC and MDRI, Finland has contributed to the implementation of the two programs a total of 100 MEUR.

Since 2007, allocation of funds to different multilateral partners has been based on the priorities set in the 2007 Development Policy. Continuous funding of the MDBs reflect not only Finland's long-standing partnership with these organizations but also Finland's views on the effectiveness, operational and policy role of these organizations in carrying forward the international development agenda and their contribution to poverty reduction and achievement of the MDGs. In Finland's view, the MDBs, and in particular the WB plays a significant role in carrying out the commitments of the Millennium Declaration.

Finland's funding to the MDBs constituted of approximately 75 % of core funding and 25 % of thematic funding in 2009. The core funding consists mainly of participation in the concessional lending instruments' (IDA, AfDF, AsDF, IDB/FSO, NDF, IFAD) replenishments, and to some degree of Finland's share in the institutions' capital increase. The thematic funding is allocated to priority themes in accordance with the Development Policy. The main thematic priorities and multilateral channels of Finland's multilateral cooperation were described in the Multilateral Strategy document of 2008. Several other thematic and sectoral policy papers and other internal working papers also give guidance to Finland's multilateral cooperation. The forthcoming new Development Policy and a planned comprehensive assessment of all the main multilateral channels will give new guidance on what issues, organizations and working methods/ operational modes.

In the case of the WB, Finland's funding has slowly tilted to favour non-core funding. In 2010, core funding to IDA was 56 MEUR (44 %) while non-core funding, i.e. funding to various WB administered Trust Funds (TF), was 71 MEUR (56 %). This reflects an increase in TF cofinancing, while also core funding has increased, but to a lesser degree. The major part of the increase in TF financing is due to the increased disbursements to a few large trust funds managed by the WB. Increase in the use of TFs should not entirely be seen as a negative trend because pooling and channeling of funds through the MDB administered TFs can be efficient and effective, e.g. in the case of fragile and conflict states like Afghanistan and Sudan, or Global Environmental Fund (GEF) in the case of climate funding.

One of the key issues guiding Finland's participation in multilateral cooperation is the need for enhanced coherence and coordination of all development-related programmes and actions at national and international level. Finland is committed to work within the PRSP framework in the partner countries and align its support according to the national priorities. Efforts have been made to ensure coherence between Finland's multilateral and bilateral assistance both through increasing concentration of bilateral support and enhanced coordination between the ministry and the field level representations. Finnish embassies participate in local coordination in developing countries around MDBs and comment issues to the MFA.

The Department for Development Policy is responsible for Finland's cooperation with the MDBs (excl. the EBRD). Responsibility for the WB is shared with the Ministry of Finance (MoF). Traditionally the MoF appoints the Governor of Finland to the WB while the Alternate Governor is nominated by the MFA. The IDA Deputy is nominated by the MFA. As to the day-to-day guidance on the World Bank Board discussions and decision-making, the two Ministries work in close cooperation in the context of the Nordic-Baltic Constituency decision-making. There are two coordination groups at different levels between the two Ministries and the Bank of Finland, namely one at the Under-Secretaries of State level (meeting 1-2 times per year) as well as at the Directors General/Directors and civil servant level (meeting 2-4 times per year). In addition, the Foreign Affairs Committee of the Parliament discusses the agenda of the Development Committee Meetings and Annual Meetings of the World Bank twice a year.

The effectiveness of the MDBs is monitored by working closely with the headquarters and boards of the different organizations, nationally and within the EU context. Feedback from the Finnish Embassies on their assessment of the Banks' performance concerning aid effectiveness at field level is important. The regular replenishment negotiations of the concessional financing windows of the different Banks constitute another key channel for promoting further development of the measures and methods to strengthen aid effectiveness.

The MDB's performance is monitored and assessed within the framework of the constituencies, the institutions own results monitoring systems and scorecards, and assessment carried out by the MDBs' independent evaluation departments. In addition, Finland uses other multilateral evaluations such as the MOPAN and Paris Declaration Aid Effectiveness assessments as well as other bilateral donors' assessments. Over the past years, progress has been made in improving the feedback from the embassies concerning the performance of multilateral organizations. MOPAN has been a valuable tool in this respect. However, the systematic flow of information and policy dialogue between the Ministry and the Embassies could be further strengthened. Very often Finland is participating in the same budget support or sector programs as the MDBs. In these contexts Finland actively promotes and encourages other donors including MDBs to plan and implement the support according to the principles of the Paris Declaration.

In the 2007 DAC peer review recommendations Finland was encouraged to (i) continue its policy of providing core contributions to multilateral organizations; and (ii) to base its policy on multilaterals on performance and used in policy dialogue and to inform decisions on funding allocations. In the case of the MDBs, the recommendations have been taken onboard at least in part. Performance and results are key determinants in the allocation of funds. However, there has been a clear trend toward more non-core funding on the part of the WB. Based on DAC and WB data, Finland is still above the average in use of core funding. There are often good reasons from aid effectiveness point of view to channel bilateral funds through pooled mechanisms administered by MDBs.

The forthcoming Development Policy will emphasize core funding while aiming to decrease fragmentation. In practice, this should mean cutting down the number of TFs to be funded and/or increasing the funding of IDA. Lessons or guidance from the review team is most welcome on how to manage a shift from non-core heavy to core-heavy funding, in a situation where there are conflicting arguments and interests pulling to opposite directions.

3.3.3 Support to environment agreements through multilateral channels

Finland has been supporting the Global Environment Facility (GEF) since 1991 when the fund was established. Finland has continuously increased its support to the GEF from one replenishment period to the next. To the previous replenishment (2006-2010) Finland contributed 31,1 MEUR and to the current one 57,3 MEUR (2010-2014). According to the agreed burden sharing the share of Finland is 1 per cent, but because of the additional voluntary contributions Finland's actual share of the replenishment is bigger than that. In addition, Finland contributes yearly about 2,5 MEUR to the UNFCCC Climate Change Funds (SCCF and LDCF) hosted by the GEF. These contributions are all core support, but under the SCCF donor can decide which window they support and Finland has chosen to support the adaptation window. Besides these windows in the SCCF, the only possibility to earmark funding under the GEF is the new, interim Nagoya Protocol Implementation Fund. This arrangement of prioritizing core support over earmarked support is along the lines with Finnish priorities which are actively out spelled during the replenishment negotiations and in the GEF Council. Finland considers the GEF as the main instrument for supporting the MEAs, it is also well placed to enhance synergies among them, besides growing demand for support due to e.g. climate change these are the main reasons for continuing and raising the support to the GEF.

Finland voluntary core funding to UNEP is annually 3,4 MEUR. In addition to that, Finland has been supporting UNEP's other multilateral activities (such as environmental diplomacy) with roughly equal amount in recent years. For instance in 2010, Finland's voluntary core funding to UNEP (3,4 MEUR) counted for approximately 50 % of Finland's total funding to UNEP. As the core funding is based on the assessed contributions, other funding is based on UNEP's ability to deliver results where there is no sufficient funding available for UNEP internationally. Finland plays an important role in providing strategic direction for UNEP, together with other Nordic countries which are also UNEP's major supporters (annual Nordic consultations with UNEP).

3.4. Field level issues

The bilateral/multilateral distribution of the overall ODA flows has been around 60 % on bilateral and 40% on multilateral core contributions (2006-2010 average: 60,8% bi, 39,2% multi). Actually, the 60/40-share has not changed much during the last 20 years. Concerning the predictability of aid, Finland is able to show flexibility. Firstly, within the framework of geographical distribution, reallocations are possible. Secondly, transferable appropriations can be used within the rolling three years. The planning is developed to provide information on the rolling three-year time frame. This system enables country offices to produce information to partner countries on the following year in question with certainty and for the following second and third year indicatively. Therefore, if the partner country requires information (and has itself the mechanisms needed) on the projections of future aid flows, country offices can provide the information. However, this possibility is not well-known in many embassies. Scarce resources of the embassies affect monitoring of multilateral aid.

There are still challenges on improving transparency of aid information at the country level. The quality on the information depends on the instrument, for example budget support has high level of information. Finland is committed to improve transparency of its development cooperation and plans are underway to build technical solutions for more detailed, timely and accessible information on a regular basis. Some efforts have lately been made to develop the use of local systems, but a lot of more work is needed.

CHAPTER 4 ORGANISATION AND MANAGEMENT

4.1 Main developments since the last peer review:

- The MFA organisation was restructured by merging the Department for Global Affairs into the Department for Development Policy. Embassies were given more personnel and operational tasks within the administrative order.
- Results-based management approach in Finnish development co-operation was evaluated in 2011, and a process was launched to improve management systems. A new electronic case management system (AHAKYT) was launched with new guidelines on programme management.
- Human resource base has slightly increased alongside with increased financing. Within the MFA a working group (a sub-group of a larger group) has been established to chart and present ways to ensure the upkeep and further development of specialists' knowledge and skills needed in development co-operation and their career paths within the Foreign Service. This will be a very important undertaking – as a part of overall efforts of developing personnel and management policies -which aims at clarifying the specialists' status and future.
- Staff training on development policy and cooperation has been strengthened, it is now more systematic and better targeted, and being further developed.
- The Evaluation Unit became independent and moved out of the Department for Development Policy.
- The MFA has continued to support EU-wide policy and administrative initiatives, including recent initiatives on country programming. The Code of Conduct on the Division of Labour is supported.

4.2 Organization

The Ministry for Foreign Affairs has overall responsibility for implementing development policy as an integral part of the Finnish foreign policy. In addition to the responsibility for implementation of the development policy and development cooperation, MFA has a coordinating role between key implementing parties, including other ministries, government agencies and institutions as well as the private sector and NGOs.

The tasks of the Ministry are divided between eight departments. The Political Department, Department for External Economic Relations, and Department for Development Policy are responsible for policy coordination. Regional foreign and security policy, trade, development, EU and other affairs are handled by four departments: Department for Europe; Department for Russia, Eastern Europe and

Central Asia; Department for the Americas and Asia; and Department for Africa and the Middle East. The Finnish Embassies are under general guidance of the Regional Departments.

The Department for Communications and Culture is the eighth department. All departments are at equal level in the organisation. Each department is subdivided into units.

The overall planning and monitoring of Finnish development policy is vested with the Department for Development Policy. It is responsible for development policy issues in the EU and the OECD/DAC. The Department is responsible for the quality assurance of Finnish development cooperation and guidance related to development cooperation, including new methodologies, regulations and instructions. Other responsibilities include overall responsibilities in relation to development cooperation planning, financial planning and budget. Department is also responsible for NGOs, UN agencies and international financial institutions.

The Department for Development Policy is sub-divided into seven units: General Development Policy and Planning, Sector Policies, NGO Liaison, UN development affairs, Multilateral Financing, International Environmental Policy, Humanitarian Affairs.

The Regional Departments are in charge of planning and implementing of geographic foreign policies, including development policy (standing order of the MFA). They are responsible for operations which include preparation, implementation, and monitoring of the development policy and cooperation in their respective regions. The regional departments are divided into sub-regional units. The personnel operate in country teams which include relevant personnel in the embassies. Country teams are proven to be a good practice to facilitate communication, information and knowledge sharing between the HQ and the embassy. There are efforts to further systematize and strengthen the work of the country teams in connection with the improvement of the results- based management system of the ministry.

The MFA has two important horizontal bodies in relation to the development cooperation. The Development Policy Steering Group (KEPO) at Director General level is headed by the Director General of the Development Policy Department. Its mandate covers providing guidance on all development policy and cooperation issues to other actors. The Quality Assurance Board headed by the Deputy Director General of the Development Policy Department has an important advisory function as programmes and projects are prepared.

4.3 Decentralisation

Since the previous OECD/DAC peer review the MFA has promoted the delegation of authority in the programming and implementation of development co-operation to the field level. For example, the current administrative regulations allow the MFA to grant some appropriations for the embassy to be used for planning and preparatory tasks. Also the decision -making with regard to the funds for local co-operation is decentralised to the embassies. Other financing decisions are still taken at the HQ level. The Minister of International Development makes all financing decisions above 200.000 euros, and the director general of the development policy department those below 200.000 euros.

The decentralization pilot was introduced in 2003 first at the Department for the Americas and Asia and later extended to other departments. The aim has been to create a more synergistic relationship between the embassies and headquarters, through division of labour, the establishment of country teams, and the placing of responsibilities for programming closer to the locations where

implementation would be undertaken. The relationship has been formalised through embassy agreements on the division of labour that are individually agreed with each embassy.

In the agreement, the regional departments and embassies agree on the division of tasks and processes and on sequencing and form of reporting. The agreement is annexed to the yearly results plan of the embassy. As per these agreements, embassies in most long-term partner countries are now in charge of programming and execution of the co-operation. The embassies report to the respective regional departments. A challenge in this process is that the guidelines/instructions on how to draft these “delegation agreements” leave fairly much room to consideration on the issues to delegate. This has resulted in somewhat varied practises and arrangements, which hamper monitoring of organization-level results. However, the flexible approach has been pragmatic. The extent of delegation is assessed and agreed upon on a case by case basis depending on the resources and expertise at the regional department and the embassy in question.

4.4 Management for development results

Development policy and co-operation are included in the general results oriented planning system of the MFA. The MFA sets overall annual and mid-term objectives for all its operations at department, unit and embassy level in the operational and financial plan. In 2011 the MFA contracted an external evaluation of the Result Based Approach in Finnish Development Co-operation. The evaluation identified several challenges to the management of development co-operation from the results perspective, even though the elements of results-based management are in place. The evaluation did not, however, take fully into account the integrated system of managing development policy and co-operation within the Ministry for Foreign Affairs.

The findings point out that at the level of specific interventions, RBM tools (such as log frame) exist but are not systematically applied. However, the Quality Assurance Board assesses specific interventions especially from the results perspective. The evaluation findings suggest that general and sector policies and related guidelines (with exceptions) and country assistance plans do not sufficiently identify objectives and targets nor make reference to results/performance monitoring and reporting. The evaluation also calls for a formal approach to RBM which would guide operations and nurture the culture of RBM within the organization. According to the evaluation, the weaknesses of the RBM system and poor observance of existing instructions in general hamper systematic and coherent monitoring and reporting on results. This was further complicated by the deficiencies in the IMS (information management systems) related to development co-operation. The system of monitoring and reporting still favors information about individual interventions without summarizing at country or sector level. Some embassies have started to produce annual or semiannual development co-operation performance reports, but the practice is not systematic.

Challenges related to monitoring and results reporting are addressed by the introduction of the new case management system AHA-KYT and by introducing more results-based country programmes and related reporting. Also the practice of feeding evidence from evaluations into decision-making and operations (evaluation management response - see 4. 8.) is a positive development in this respect.

Comprehensive information on development co-operation is available for parliament and in the public domain, but, according to the RBM evaluation, they still contain little information on results. The 2010 development policy and co-operation report to the parliament attempted to address this challenge.

A management response of the RBM evaluation was approved by the Development Policy Steering Group in 2011 following the recommendation made by the evaluation. The Steering Group response includes various measures from policy level to systems and capacity development. The new Development Policy will emphasize the importance of improving the RBM systems. Implementation of the response will speed up in 2012.

4.5 Human resources

A large part of the core functions related to development policy and co-operation is performed by the diplomatic career officials. In addition to them, the MFA employs sectoral advisers and other development co-operation or policy specialists and administrators according to the recognized needs both in the Ministry and in the Embassies. At the headquarters level, the department of Development Policy hosts a large number of non-diplomatic development co-operation staff in permanent and temporary positions. For example, the Unit for Sector Policies hosts around 20 sector/theme specific advisers, and some advisers are placed in other units of the department. The regional departments host 1-2 development policy advisers each. In addition, departments have a number of development co-operation administrators.

The increase of staff has been possible due to the increase in the volume of development cooperation and the government decision that 5% of the increased aid volume can be used for administration, including additional staffing in the MFA. The overall administration costs for Finland's ODA were EUR 51 million in 2010.

Embassies with co-operation programmes are staffed with both diplomatic staff and with specialists who have development co-operation and/or sector specific background. They are contracted on a fixed term basis to support the implementation of the co-operation as per the content of the programme and the requirements specified in the terms of reference. The maximum term of a special advisor at one embassy is five years. The terms of reference for the specialists are prepared by the country teams, but the recruitment takes place by and at the HQs.

Locally employed specialists (who can also be third country nationals) have been increasing in numbers, together with their role in the Embassies. The decision-making on local staff recruitment is decentralised to the embassies. MFA headquarters recruits only Finnish nationals.

Occasionally, there has been a challenge of not being able to recruit special advisers on specific sectors which possess sufficient co-operation and development policy background (ICT, innovation), or due to their high turnover and limited experience on MFA/HQ practices, since advisers come mostly from outside the ministry or rotate from one embassy to another. This hampers the continuity and institutional learning with regard to development policy and co-operation. Another challenge is the difficulties in attracting diplomatic career staff to development co-operation positions, and posts may occasionally remain vacant due to the lack of interest.

The RBM evaluation also identified challenges related to human resources management i.e. to the lack of incentives to encourage and maintain adequate development policy and co-operation resources and knowledge at the MFA. Issues related to human resources management are to be addressed with the implementation of the new Human Resources Strategy of the Ministry.

In 2011 the MFA established a working group to further develop the MFA's personnel policy with regard to specialist staff, including remuneration and career prospects, and a sub-group to address the situation of specialist staff on development policy and co-operation. The process is important also from

the perspective on how to maintain and further develop the necessary know-how and resources for development cooperation at the MFA. The committee is expected to complete its mission in May 2012.

Several measures have already been taken to address the challenges on development co-operation human resources and know how. Training on development policy and development cooperation has become more systematic. An annual training calendar provides a “training path” from basic policy and skills training to advanced thematic training events. Capacity building of local and field level staff, however, remains a challenge. The new case management system includes guidance on development co-operation processes. Furthermore, external experts are widely used to complement the MFA staff.

Cross-cutting issues: The Department for Development Policy hosts advisors with specific expertise on cross-cutting issues. This “cross-cutting team” elaborates guidelines, provides training and gives support to the area department and embassies on the implementation of cross-cutting objectives. The new project guidelines pay special attention to the implementation of cross-cutting issues in all phases of interventions.

Staff working in fragile states and situations: In the case of Afghanistan provisions are made for extra home leave. In addition the working conditions are reflected in the staff remuneration packages. There are no specific policies in place for recruiting staff. MFA safety and security unit has contracted an expert security service provider to conduct tailor-made courses for staff working and traveling to high risk environments.

4.6 Programming

Country assistance plans were elaborated for the long-term partner countries in 2008. The programming was done by country teams with embassy staff taking the lead in consultation with the partner country government and other stakeholders. General and sector/theme guidance was provided by the Department of Development Policy. Assistance plans were formally agreed upon in bilateral consultations with the partner country government. The fragmentation of Finnish ODA increased during the previous government. This was due to the relatively light programming process for the new orientations in the 2007 policy, which had a strong emphasis on the so-called Finnish value added, increase in ODA funding and the introduction of thematic and regional programmes and new instruments, such as institutional co-operation instrument. The forthcoming Development Policy will call for reduced fragmentation and stronger and more results- oriented programming, including increasing emphasis on risk assessment and management. The guidelines and capacity building for results -oriented programming, including multilateral ODA, will be prepared in 2012. It is envisaged that results oriented country programmes are finalized for the long- term partners during 2012.

4.7 ODA-related information systems

Until today, statistical reporting systems have not been developed to be integrated to budgeting, operational planning, monitoring and evaluation processes. There have been major challenges on linking planning information into other statistical systems. Statistical ODA reporting and follow-up has been difficult, since several management information systems have been developed individually without a clear relation within each system. Therefore, statistical compilation work has required lot of expertise and manual effort. However, the new case management system has been developed to improve the work flow management by the desk officers. Furthermore, plans to develop a long-awaited data warehouse for an integrated facility on different ODA information sources. This process is planned

to begin on 2012. The objective is to build interfaces for different data needs (statistical requirements, internal MFA, partners and civil society and general public) based on the data warehouse solution.

4.8 Evaluation

The internal evaluation bylaw of 2007 (Norm 15/2007) was revised and approved by the Ministry for Foreign Affairs on 3.10.2011 (Norm 4/2011). It contains all elements of an evaluation policy, including the position of evaluation and its role in the Ministry, mandate, functions, areas of responsibility of the centralized (Evaluation Unit) and decentralized evaluations and the organization of their work-plans, process, management response and back-reporting process, publication and publicity of the results. For the first time, the bylaw now guides both the centralised evaluation (comprehensive, strategic programme and thematic evaluations) and the decentralised evaluation (project-specific evaluations, evaluation of regional programmes). The bylaw was prepared through a lengthy iterative and participatory process within the Ministry, including discussions in the Development Policy Steering Group. It was distributed throughout the Ministry and the embassies, it is available in the Ministry's intranet, and it is introduced in evaluation training.

Since 2006 the Evaluation Unit has compiled a 4-year rolling plan of centralised evaluations based on discussions with relevant units. Since 2010 the plan has been discussed in the Development Policy Steering Group. The Under-Secretary of State for Development – who is as an independent actor from the Department for Development Policy – supervises the Evaluation Unit and also approves the plan for each year. The decentralised evaluations are decided upon by the responsible units in consultation with partner institutions in the management structures (steering committees, advisory boards) of the interventions. Based on the evaluation bylaw the 2012 overall evaluation plan will for the first time cover both the centralised and the decentralised evaluations.

Since the 2007 Peer Review evaluation has been reorganised. Centralised evaluation was detached from the Department for Development Policy and the centralised evaluation entity is now in the office of the Under-Secretary of State. The status of the Evaluation Unit still needs further clarification in the Ministry's Rules of Procedure, especially in terms of decision-making powers. The units responsible for managing ODA funds continue to have the responsibility for the decentralised evaluation. All evaluations are carried out by independent external evaluators procured according to the procurement legislation (348/2007, 321/2010) of Finland, which obliges to carry out competitive bidding above the national limit of direct procurement.

The meta-analysis of 2007-2008 evaluations assessed the quality of the process and reports against OECD/DAC evaluation standards and rated them in average good. The synthesis of 22 wide evaluations of 2008-2010 commended the Ministry for the way with which it commissions and publishes independent evaluations of its activities.

The DAC quality standards have been developed into a matrix tool, combined, with the evaluation report standards of the EU. This matrix is always given to evaluators. The quality assurance experts of each evaluation team use these criteria. Most evaluations commissioned by the Unit are subjected to anonymous peer reviews by two external experts. The material given to the peer reviewers contain the quality standard tool and more specific questions. The DAC quality standards and principles are the most important resource for staff training in evaluation, started in 2010.

At the end of each evaluation commissioned by the Evaluation Unit, a public presentation of the results is organised for debate. Evaluation reports are printed and disseminated widely within and outside the

Ministry Reports are available in the Ministry's web-site and in the OECD/DAC's DEReC and the EU's evaluation web-site.

According to the bylaw the Unit prepares, in consultation with the relevant stakeholders, an evaluation follow-up matrix with draft decisions for a formal management response. From the beginning of 2011 the draft decisions have been discussed in the Steering Group; in 2008-2010 the discussions were held in the Quality Assurance Board. The Under-Secretary of State for Development takes the decision upon recommendation by the chair of the Steering Group. Implementation is followed-up through formal back-reporting after 1-2 years. The Evaluation Unit makes periodic summaries of the back-reports which are discussed by the Steering Group.

The bylaw stipulates a management response system also for the decentralized evaluations. The management structure of the interventions is the forum for discussion of evaluation results and for decisions on their implementation. The bylaw obliges the follow up to be included in the regular reporting under a distinct section on the implementation of the evaluation results.

In 2010, evaluation capacity development and training, including a help-desk service, were introduced. Feed-back is systematically collected at the end of each training event, and a further follow-up through a questionnaire was collected in May-June 2011. The results will be evaluated as part of the meta-analysis of decentralized evaluations of 2012. The bylaw mandates the Unit to participate in the evaluation capacity development in partner countries in collaboration with international evaluation networks. In 2010, the Evaluation Unit contributed to the Conference on National Evaluation Capacities organised by the South African Public Service Commission and the UNDP. In January 2012, the Unit participated in the AFReA Conference for African Evaluation Associations and is planning to contribute to conferences of evaluation associations in partnership with IOCE and UNICEF, and the European Evaluation Society (EES).

In the beginning of 2012, the staff of the Unit comprised of an adviser, director and assistant; senior evaluator's post is vacant since June 2011, the junior evaluator is a substitute (January-November 2012). The number of staff is highly inadequate.

The Evaluation Unit participates in 1-3 joint evaluations annually; almost one third of the decentralised evaluations are joint evaluations. Finland would have participated in more joint evaluations than opportunities appeared. During the time under review, Finland supported both phases of the Paris Declaration evaluation, the joint donor evaluation of UNRWA education sector, the evaluation of cluster approach in humanitarian aid, the peer review of the GEF evaluation function and the social and environment trust fund of the World Bank, together with Norway.

The DAC evaluation network information sources are a constant resource. Through engagement in international evaluation capacity building processes, the Evaluation Unit achieves important contact surface to the evaluation functions of partner countries. The work plan of 2012 includes partner led evaluations in two of our major development partner countries.

The users of evaluations vary from the policy level to the everyday operational management. The systematic management response and follow-up reporting have contributed to learning. It has been verified that evaluation results have been used widely and been useful. The new development policy includes direct references to the results of evaluations. Other examples include the evaluation on natural disasters leading to the recognition of natural disasters as a cross-cutting issue in development cooperation, it also contributed to a national strategy of Finland. The evaluation of local development

funds led to a revised norm and guidance and those of the agricultural sector and the cross-cutting themes contributed to the revised guidance papers, the development research evaluation led, among other things, to a completely different level of availability of research results. The establishment of evaluation help-desk and training function are consequences of two meta evaluations (2007 and 2009). The synthesis evaluation of 2008-2010 and the results-based management evaluation contributed crucially to the revision of the guidelines for project management which are due in 2012. The back-reporting system has clearly shown in concrete terms that evaluations indeed, are used as a forward looking management tool and also a policy-making tool.

CHAPTER 5: AID EFFECTIVENESS and results

In order to promote the effectiveness of development cooperation, Finland is committed to the Paris Declaration, Accra Agenda for Action and Busan Partnership for effective Development Co-operation. The Government stresses the importance of effectiveness in policy guidance, operational planning, country-level programming, and monitoring.

Finland promotes more effective development funding in both bilateral and multilateral cooperation and strives to influence the country programmes of international financing institutions and United Nations organizations in accordance with its own development policy focus. Finland has been active in the OECD/DAC Working Party on Aid Effectiveness (WP-EFF) and other multilateral forums that promote aid effectiveness.

In the Busan High Level Forum on Aid Effectiveness, Finland announced its support for building blocks on Transparency, Results and Accountability, Managing Diversity and Fragile States. Together with the Nordic plus -likeminded group and the EU, Finland has promoted a future partnership that would be more focused on country level implementation and have a more streamlined international monitoring structure.

5.1 Finland's Performance in the Paris Declaration monitoring Survey

From 2005 Finland has progressed in all Paris Declaration indicators except untying. Within its most obvious reference group, the EU, Finland belongs to the better performing half. When analyzing the 32 country core group Finland exceeds EU average in 6 indicators and is below the average in 3 indicators. Finland's results are above the global average. Only one indicator (untying) is below the global average. Finland reached its targets in coordinated capacity development and joint country analytic work.

In untying Finland has taken steps backwards. 98% of its aid was untied in 2005, but it dropped to 87% in 2010. Finland committed to accelerate efforts to untie aid within the Busan Partnership for effective Development Co-operation. Following the commitments made in Busan commitments Finland will, in 2012, review plans to achieve this. One option to decrease tied aid, discussed when formulating the new development policy program, could be the termination of the concessional credit scheme. Finland has also emphasized the importance of quality and consistency of reporting on the tying status of aid.

While there has been overall progress in Paris indicators from 2005, since the previous monitoring of 2007 Finland has regressed on several indicators. In that period Finland progressed only in three indicators.

What is positive and encouraging is that Finland has made progress on the themes that it has prioritized: use of its partners' public financial management systems and strengthening the predictability of aid. This shows that focus and effort has produced results.

Finland performs better in the weighted average (normal ratio) than in the average country ratio. In countries with higher aid volumes the quality of aid is better. Finland also performed better in the core group of 32 countries than when analyzing all the countries that took part in the survey in 2010. Only in untying it performed better in the larger country group. On average Finland performs more effectively in its priority partner countries than in other countries where it has interventions.

The regression in Paris Monitoring indicators that took place since the 2007 may be due to the fact that that the 2007 Development Policy was not very explicit on aid effectiveness issues. Furthermore, there was a tendency to increase the use of project modality and emphasize the so called Finnish value added, which resulted in the rapid emergence of several new project interventions as well as in geographic fragmentation of aid. However, the forthcoming development policy puts strong emphasis on aid effectiveness and reducing fragmentation. The aid effectiveness principles have also been integrated into the new programme management system and guidelines.

Table 1. Finland's Performance in the Paris Declaration monitoring Survey

Indicators	Indicator values				Illustrative 2010 Targets	Average country ratio (a) (for reference)			
	2005 32 countries	2007 32 countries	2010 32 countries	2010 All countries		2005 32 countries	2007 32 countries	2010 32 countries	2010 All countries
3 Aid flows are aligned on national priorities	35%	58%	56%	55%	85%	--	--	--	--
4 Strengthen capacity by co-ordinated support	52%	72%	56%	51%	50%	57%	69%	49%	59%
5a Use of country public financial management systems	35%	57%	58%	56%	59%	27%	44%	42%	39%
5b Use of country procurement systems	50%	66%	63%	60%	Not applicable	40%	59%	48%	43%
6 Avoid parallel implementation structures	9	4	7	12	3	0.9	0.4	0.6	0.7
7 Aid is more predictable	33%	42%	58%	46%	67%	--	--	--	--
8 Aid is untied	98%	100%	87%	91%	More than 98%	95%	100%	83%	89%
9 Use of common arrangements or procedures	35%	58%	51%	47%	66%	36%	43%	30%	24%
10a Joint missions	23%	37%	34%	27%	40%	--	--	--	--
10b Joint country analytic work	63%	83%	87%	50%	66%	--	--	--	--

(a) The average country ratio is the average ratio across all countries where the donor has reported activities.

After Accra, Finland chose not to have a separate implementation plan for aid effectiveness. The aim was to integrate aid effectiveness work in the general development efforts. A key channel to integrate

performance commitments and objectives to the development of aid administration has been the preparation of a new on-line case management system (AHA-KYT) and related guidelines. Aid effectiveness commitments have been taken into account in the design of the new system. Aid effectiveness issues have also been more effectively integrated into the development policy and co-operation training of the MFA. Furthermore, the Quality Assurance Board, which assesses development co-operation interventions of the MFA also pays special attention to the aid effectiveness of the proposed interventions. Since 2010, Quality Assurance Board assesses the interventions at an earlier stage (before appraisal) in order to better influence the quality of the interventions before financing decisions are taken.

The Ministry for Foreign Affairs working group on aid effectiveness has been the major vehicle to promote the aid effectiveness agenda within the ministry. It is a group of representatives from regional departments and the department for development policy. The working group has been the key forum for raising awareness and sharing best practices. Its aim has been to link international processes on aid effectiveness to implementation efforts in regional departments and ultimately at the country level. It has also been the primary forum for MFA preparations ahead of international events on aid effectiveness. Embassies have been active in promoting aid effectiveness and bringing relevant issues onboard. Unfortunately, the opportunities for sharing experiences on aid effectiveness between embassies, regional department and headquarters have been too few.

Since the 2007 peer review, Finland prioritized its effectiveness work in three topics 1) Use of country systems, 2) Improving predictability of aid 3) Strengthening complementarity and division of labor between donors. These issues were identified as priorities in the follow-up after Accra, and have been addressed especially in studies and capacity building efforts and by participating in international forums on these issues.

Since 2010 the MFA has organized workshops for country teams and policy advisers on aid effectiveness. The aim of the workshops is to share ideas between country teams and advisers to support the implementation of aid effectiveness principles in practice. The workshops have included, for example, information events on implementation of Paris Declaration and AAA principles, and case studies identifying pragmatic approaches to implementing the principles. The emphasis has been particularly on project-based co-operation, which still represents a significant modality in Finland's bilateral co-operation portfolio. Programme -based approaches and addressing the use of country systems have been the special themes of the workshops. The use and strengthening of country systems is also emphasized in the new case management system and project manual.

In addition to the workshops the MFA has organized training on aid effectiveness either as separate sessions or as integrated components to other development policy and co-operation capacity building efforts.

In 2010, Finland prepared a pilot case study on its predictability practices for the WP-EFF Task Team on Aid Predictability and Transparency. The objectives of the study were to i) analyse Finland's development co-operation budgeting framework, its processes and instruments and country programming practices and to point out potential strengths in light of international commitments on aid predictability; ii) identify cases of good practice at the country level in predictable aid planning and information provision to partner countries; iii) identify policy and institutional/operational impediments in Finland's development cooperation planning practices both at the Ministry and country level; and iv) make suggestions for future improvements in Finland's aid administration practices at the Ministry and country level to strengthen aid predictability. The study was presented in the WP-EFF Task Team

meeting in October 2010 and provided inputs to the predictability profile developed soon after for the Task Team.

The study demonstrated that Finland has the necessary internal tools available to be predictable with its aid. These include rolling forward spending limits (covering a 4 year medium-term period), rolling multiannual operating and financial plans, the ability to carry over budget appropriations as well as the availability of forward commitment authorities that enable making financial commitments several years into the future. The study also showed that Finland is, however, not making full use of these internal planning tools to strengthen external predictability towards its cooperation partners. Identified challenges included weak policy guidance for predictability practices and for disclosure of planning information, lack of systematized planning and communications practices, institutional inconsistency (high staff turnover), and linking transparency efforts to early stages of programming.

The key conclusion of the study related to strengthening the predictability of country-level programming in the medium term, and called for more systematized, strategic and joint programming processes for country portfolios that would have a strong transparency element built into the process. Increased efforts were found to be needed on all fronts to better communicate existing information and cooperation plans to partners, and to support the use of this information in the partners' own planning and budgeting processes.

Finland is a signatory member in the International Aid Transparency Initiative and has recently published its aid information through IATI (so-called "phase 1I" information). Further steps are planned to increase the transparency and accessibility of information. At the same time it is important to guarantee the quality of information to be used and published. Increasing the quality of Finnish ODA-reporting has been prioritised in the recent years. The new case management system (AHA-KYT) is designed to provide a basis for more detailed information for the use of the administration and also for transparency purposes.

Finland's aim is to strengthen complementarity and division of labor both in country and cross countries. Better donor coordination and utilizing joint programming whenever possible are key issues for Finland. The MFA has also approved operational guidelines for delegated co-operation. Finland has been closely engaged in the European Union's work on aid effectiveness and strongly supports its efforts to enhance EU joint programming at the country level. The Nordic plus -likeminded group has also been an important reference group for Finland to undertake joint work, share best practices and coordinate positions in international processes.

There is demand for capacity building efforts for field staff. Field staff has been encouraged to participate in the development policy and co-operation training at the headquarters. In addition, special sessions related to aid effectiveness were organized for the first time as a side event to the yearly Development Policy Days of 2010 and 2011 with special emphasis on field level aid effectiveness issues. During 2009-2010, aid effectiveness advisors from the HQ visited two embassies (Pretoria and Addis Ababa) to provide aid effectiveness training as a part of broad internal embassy workshops. Such interaction between headquarters and field level staff could play an essential role to joint develop approaches to enhance the effectiveness of Finland's co-operation, and further efforts to field level capacity building are being planned.

The Development Policy Committee, an advisory body appointed by the Government, is a key observer of Finland's overall development policy and co-operation, including aid effectiveness work. It has representatives from all parliament parties, different interest groups, civil-society and academia. It

has expert members from different state institutions. The Ministry for Foreign Affairs works closely with the Finnish Service Centre for Development Cooperation (KEPA) on aid effectiveness.

The major challenge in enhancing the aid effectiveness agenda at the MFA has been the high turnover of staff both at the Unit for General Development Policy and Planning and in country teams. Preparations for the high level forums have also taken some of the resources from the implementation work in the headquarters. Overall, the rotation of staff especially at the embassies and regional departments creates constant demands for staff capacity building on aid effectiveness especially since staff is not always very familiar with development co-operation issues in general, nor with aid effectiveness in particular, when they start at their positions.

The MFA recognizes that there would be a strong need for more institutionalized approaches to enhancing the effectiveness of aid, and this will be considered particularly in light of the newly adopted Busan Partnership commitments, where the broad range of thematic and sector commitments will necessitate a comprehensive approach to implementation, drawing on key MFA focal points to take the work forward. Overall, building staff capacity on this front requires time and effort, and when pursuing strengthened effectiveness of cooperation, the MFA recognizes that also these organizational investments and resource allocations need to be factored into the administration's operational planning.

5.2 Fragile states and situations

Finland has adopted the DAC's Principles of Good International Engagement in Fragile States, which are used as reference in internal policy discussions. However, more could be done to apply the Principles more systematically in programming and monitoring. There are no formal mechanisms for institutionalising and regularly updating conflict analysis. However, in the case of Finnish support to Afghanistan the government has on a regular basis prepared a formal report to the parliament on the state of play of the Finnish support to Afghanistan. This has covered all the aspects ranging from military support to civilian crisis management and development cooperation including humanitarian aid. Finland does support interventions to help prevent state collapse and violent conflict on a case by case basis. Finland has supported the international community's efforts in such diverse settings as Somalia, Libya, Pakistan and Lebanon. Most of the support has been channeled via multilateral institutions such as the UN and EU.

5.3 Aid effectiveness at country level

Ownership

As a general policy the MFA emphasizes democratic ownership of partner countries. The engagement of embassies with partner country government takes place as per defined in in-country joint/coordinated arrangements and/or agreements on bilateral arrangements (steering committees/supervisory boards). Embassies are encouraged to promote the engagement of CSO and parliamentary engagement especially in joint/coordinated arrangements.

The collective efforts of bilateral and multilateral donors to strengthen country capacity in a systematic manner are scarce. In general, Finland promotes the use and strengthening of partner country systems and considers the use of country systems as a first option for its financing. There is no systematic approach to capacity development in general, nor specifically with regard to technical co-operation, use of local or regional resources or south-south co-operation.

As a general policy, Finland refrains from putting specific conditions to aid apart from the underlying principles or general conditions such as good governance and anti-corruption specified in general, programme or project agreements and/or memorandums of understanding. With regard to budget support and programme based approaches, indicators to monitor progress are usually drawn from partner country national development strategy. These coordinated/joint arrangements may in some cases include conditions for disbursement, which are followed as per agreed.

Alignment to national strategies and systems

Evaluations have demonstrated that Finnish development co-operation is well aligned with partner country priorities, strategies and plans. The alignment is achieved in practice by taking national priorities, strategies and plans carefully into account in all phases of programme management. In drafting overall country assistance plans, the partners' national development plans are used as a point of departure. Bilateral consultations and other policy dialogue are carried out to ensure that the medium term bilateral CAP reflect the priorities of both partners. This principle is also integrated into project/programme management guidelines and templates, and taken into account in aid effectiveness training.

The general policy of Finland is to use country systems as a first option for aid delivery. When this is not possible, the reasons for the non-use of country systems are to be specified and measures to address these specified. In the 2007 development policy, there was an emphasis to increase project aid, which posed a challenge to the use of country systems. Special efforts were taken to build staff capacity in this issue (see previous section). Project financing is now increasingly being channeled through partner country budgets and even treasury, when possible. The use of country systems in project financing however, poses some challenges, to be addressed on a case by case basis, which requires time and specific skills of development co-operation personnel. There also might be different approaches between the country teams with regard to use of country systems despite of policy guidance and PFM issues are not always prioritized. Another challenge for the use of country systems is a lack of joint donor approaches at the country level.

The general policy is to avoid the use of parallel implementation structures. However, the Paris Declaration monitoring exercise indicates that in fact there has been an increase in the use of Project Implementation Units in the Finnish development co-operation. This may be due to the increased number of project interventions and geographic fragmentation of aid to countries where Finland has no country representation. The new Development Policy, however, aims at addressing the issue by concentrating aid to (fewer) partner countries and by phasing out fragmented and isolated project interventions.

Where alignment with government-led strategies is not possible, alignment has been done partially, by aligning only in a specific sector or theme (health in Nicaragua) or working with sub-national governments and/or NGOs (governance in Nicaragua).

Harmonisation

The policy is to encourage embassies to take actively part in co-ordination mechanisms and to promote the leadership of the partner government in these mechanisms. These principles are stated in the new programme management guidelines as well as in the new development policy. The salary structure of the special advisors at the embassies also encourages taking donor leadership in coordination mechanisms (salary scale depends on leadership status within a sector). Active

participation and taking donor leadership positions in co-ordination mechanism are an effective for policy dialogue especially for a relatively small donor as Finland. In countries where Finnish co-operation is delivered mainly as project based, participation in co-ordination mechanisms may be less active as in countries where programme based approaches is the dominant form of delivery.

The 2008 HQs guidance to the embassies for the preparation of country assistance plans emphasized that assistance plans should take the national development strategies, including country aid policies and joint assistance strategies as a point of departure. Also in-country division of labour was taken into account in the guidance note. The programming decision are communicated and agreed with the partner government in bilateral consultations and communicated to other donors through existing co-ordination mechanism. The arrangements for delegated co-operation have become more common during the last few years, and the MFA prepared a guideline for delegated co-operation in 2011. Finland has mostly taken authority of other partners funding, but is now also delegating implementation to other donors (forestry in Nepal, water in South Sudan).

The new development policy aims to strengthen the programming further to a more result based and strategic process to increase effectiveness. New guidelines on programming are underway.

Joint approaches

Finland uses different aid modalities in a flexible manner to meet the needs and strategic objectives identified during programming. However, during the previous government policy programme the use of general budget support was limited to a maximum of 25% of country portfolio, and there was an increase in project aid. This led to a decrease in programme based approaches as indicated in the last Paris Declaration Monitoring Survey. Nevertheless, in many cases multi-donor trust funds and other joint financing arrangements have been sought as an alternative to bilateral project interventions.

The results monitoring and reporting varies according to situation and aid modalities used. In case of budget support and programme/sector based approaches results monitoring are aligned to the country-led monitoring and reporting systems. The project modality often poses a challenge in this respect since monitoring frameworks are constructed on a case by case basis. However, embassies are encouraged to use joint mechanisms for monitoring and reporting, always when available. The embassies are encouraged to take part in existing mutual accountability mechanisms and contribute to the emergence of them in countries and sectors where they do not yet exist.

As per the evaluation of results based approach in Finnish development co-operation, the challenge with regard to the overall reporting on results is the lack of coherent system for setting targets and reporting on results at above the level of specific interventions, for example reporting on results at country programme level.

CHAPTER 6: HUMANITARIAN ASSISTANCE

6.1 HUMANITARIAN PRINCIPLES AND POLICIES

6.1.1 The main objectives and principles of the Finnish Humanitarian Policy

The current Finnish Humanitarian Policy Guidelines (2007) state that the primary goal of Finnish Humanitarian Assistance is to save lives, alleviate suffering and maintain human dignity during and in the aftermath of man-made crises and natural disasters.

The respect for international humanitarian law, human rights law and refugee law is a fundamental principle in Finnish humanitarian policy. The policy guidelines also specifically underscore the humanitarian principles of humanity, impartiality, neutrality and independence. The policy makes a clear reference to the need to ensure that humanitarian activities are funded on the basis of needs assessments and in proportion to needs. Consequently, Finnish humanitarian goals are fully in line with the GHD principles. The Guidelines have also functioned as the GHD Action Plan. Currently, they are under a revision, but the review will not bring major changes in terms of the key principles.

The Finnish policy framework makes a clear reference to the need to involve the beneficiaries in the planning of the assistance. Furthermore, the policy states that Finnish Humanitarian assistance is rights-based. As Finland does not have its own bilateral operations, these principles are promoted through policy dialogue, field trips and monitoring missions. Based on the recommendations from the last Peer Review, the Unit has significantly increased its participation in field monitoring missions (altogether 15 destinations were visited, 2007/Rwanda and DRC, Sudan, Angola/mine action, Syria and Jordan; 2008/DRC, Chad, Lebanon; 2009/Kenya and Ethiopia, Sudan, Cambodia/mine action; 2010/The Philippines and Thailand, CAR, Syria and Jordan; 2011/Afghanistan, Pakistan and Zimbabwe).

The current guidelines were adopted before the European Consensus on Humanitarian Aid was finalized. The MFA-Finland participated very actively in the drafting of the Consensus-document. The Ministry obviously is committed to the European Consensus and there will be a clear reference to it in the up-coming guidelines.

6.1.2 Promotion of IHL and protection

Finland adheres to its international legal obligations and the Finnish government is committed to advocate the respect for international humanitarian law by all actors. The IHL forms a very important background and framework, especially when Finland is taking positions concerning civil-military actions. Finland underscores that humanitarian assistance is not a crises management tool or an instrument for progressing political or military agendas.

In terms of promoting IHL, the Humanitarian Unit co-operates closely with the Legal Service of the MFA, which is a key Finnish actor in the promotion of IHL, both internationally and domestically. The Legal Services chair the Finnish Committee for the Implementation of IHL. The MFA has also provided financial support to the IHL-related projects and organisations, such as the Finnish Red Cross Society. Finland has also been a long-term supporter of ICRC, which has a special mandate in terms of promoting IHL.

The Finnish Humanitarian policy recognises that protection is an integral part of humanitarian action. Finland provides both operational and core funding to agencies, such as UNHCR, UNICEF, UNFPA and ICRC, who have special protection mandates and responsibilities.

In addition, Finland promotes protection issues through statements, speeches and policy dialogue with various stakeholders. Finland emphasises that all humanitarian agencies need to take protection of beneficiaries into account in their operations. Finland has also funded specific activities to promote protection. A concrete example is the support directed to the ratification of the Convention for the Protection and Assistance of Internally Displaced Persons (IDPs) in Africa by the African Union (the so-called Kampala-Convention). This was done by organizing together with UNCHR and the AU a Ministerial and Technical Conference for the ECOWAS countries in the summer of 2011. Finland intends to continue supporting this theme.

6.2 FINANCING HUMANITARIAN ACTION

Finland does not have its own bilateral humanitarian operations but makes its humanitarian contribution through funding to the UN system, the International Red Cross Red Crescent Movement and three Finnish NGOs. In terms of the UN, funding is channelled to the agencies with operational humanitarian capacities and cluster responsibilities, such as UNHCR, WFP, UNICEF, WHO, FAO and UNFPA. The Finnish NGOs eligible for funding are the Finnish Red Cross, FinnChurchAid and FIDA. They are the only Finnish NGO's that have been screened by ECHO and gained its partnership status and received ECHO funding, which is a pre-requisite for humanitarian funding from the government.

6.2.1 Funding principles and procedures

The general funding principle is that Finland allocates humanitarian funding on the basis of verified need, objective need assessment and a request, coming mostly through the UN System, for activities that are targeted for saving lives and livelihoods. In addition, Finnish humanitarian funding can be used for early recovery. The allocation of funds is strongly and consistently needs-based and demand driven, irrespective of geographical and political priorities. In very few cases political considerations have played some role (latest example being Libya). The Unit does not procure relief items or carry out in-kind delivery, which consequently removes the pressure of Finnish companies on the Unit.

The humanitarian budget is formed after the frame of development cooperation budget has been determined. After that, a percentage – about 9,5% during the last years – is applied to formulate the humanitarian budget. Usually, the humanitarian budget will grow during the year, and finally usually end up being more than 10% of the total ODA budget.

A funding allocation plan is made after internal discussions within the Unit after the CAP launch. Then the Unit consults and discusses it with the relevant geographical unit and presents a proposal to the Minister, who approves the plan. The DG of the department counter-signs the availability of funds. Then various steps/paper work have to take place in the releasing of the funds after which the Unit can inform the receiving agency about the forthcoming assistance and subsequently sign an agreement. The signing of the agreement is done – depending on the agency – in New York, Geneva and Rome by the Finnish permanent representative or in Helsinki with the given Finnish NGO. The payment can be done when the agreement has been signed.

Finland channels about 75% of the humanitarian budget through the CAP/UN agencies and about 17% through the Red Cross Red Crescent Movement (ICRC/IFRC)/through the Finnish National Red Cross Society. The rest is channelled through two Finnish NGOs, namely Fida and FinnChurchAid. The criteria related to funding NGOs is the comparative advantage they offer, their geographical and operational coverage and the needs assessments.

In terms of the support directed to UN system, Finland uses a very loose earmarking of its assistance as it indicates only the country and channel (agency). Finland has been an active supporter of the CERF from the beginning and is currently a member of the CERF Advisory Group. Finland has also allocated funding to Somalia Common Humanitarian Fund (Finland supports CHFs only in countries, where it has an Embassy that can monitor the use of the funds and participate in the strategic discussions). In addition to the operational funding, Finland provides a significant amount of core funding that can be used in a very flexible manner.

6.2.2 Improving the timeliness and predictability of the funding

The 2007 Humanitarian Policy Guidelines were based on an evaluation, which suggested several improvements in terms of funding practises and timely allocation. These recommendations were reflected in the revised policy. In last years, progress has been made in terms of speeding up the processes related to fund allocation. Compared to the previous Peer Review the situation has clearly improved and the allocation process has become quicker. However, there is still room for improvement, and the question of flexible and timely funding continues to be an issue.

As the humanitarian funding decisions are approved by the Minister for Development Policy, the work in the Unit depends on the possibility to rapidly consult and get timely response from the Minister. A challenge related to the funding is the bureaucracy in the Ministry and the way in which funds are released and approved. The MFA-Finland has not yet ventured into the electronic system of approving funds, and consequently, the system is based on documents that need to be signed. This requires that the minister signing the decision of releasing funds is personally present.

Finland has recently improved the predictability of funding by starting to provide multi-year funding for core contributions to those UN agencies of which the Humanitarian Unit has the responsibility (UNHCR, UNRWA, OCHA and UNISDR. WFP gets its multi-year core contribution from the Unit for UN Development Issues). In addition, when planning for the allocations, the Unit makes an effort to keep the funding about on the same level to the humanitarian cluster lead agencies as previously.

As indicated in the GHA report by Development International and DARA's Humanitarian Response Index-report, Finland is known to be a flexible donor, even if a small one (among 30 biggest donors Finland is the 18th, and ranked 11th in Performance in the HRI in 2010). The Unit allocates about 70% of the humanitarian budget during the first quarter of the year. The aim is to get the release of funds and decisions ready by end of February. The timely and speedy delivery of funds obviously depends on the human resources available in the Unit as well as internal budgetary processes in the MFA and the Parliament. In the case of the Flash Appeals, a pledge can be made in a matter of days and in a very urgent case in a matter of hours.

It is obvious that new large-scale emergencies occur frequently while the protracted operations remain. The humanitarian budget has constantly been growing, and subsequently it can be claimed that commitments from old crises are not diverted in favour of new high profile emergencies. Obviously

Finland follows the priorities of the CAP process. The staff in the Unit follow closely the global funding trends and country situations in a given crises and compares these to the Unit's own plans.

6.3 PROMOTING STANDARDS AND ENHANCING IMPLEMENTATION

Finland is a strong supporter of the UN GA resolution 46/182 from 1991 where the leading role of the UN in global humanitarian coordination was originally laid out. The Finnish Policy underscores the UN special coordination and leadership role in humanitarian assistance. The Humanitarian unit provides support to OCHA and works very closely with them. In recent years, Finland has been very active in promoting the 2005 Humanitarian Reform and more recently the 2011 IASC Principles' Change Agenda, in the Executive Boards of the various UN Funds and Programmes and UN Specialized Agencies. Finland has been responsible for the ODSG-messaging towards WFP and WHO EBs, following the burden-sharing arrangement made in the ODSG. In addition to the UN, Finland has been one of the most active (if not the most active) contributor to the discussion taking place at the EU/COHAFSA-forum.

Finland has also been an active supporter of the Principles of Partnership approach. In several statements Finland has highlighted the importance of good quality partnership between UN and NGO-partners. For example, Finland has raised the issue of slow disbursement of CERF-funds from UN to NGOs. Finland has also highlighted the need to keep clusters reserved for strategic coordination. Pure information sharing is a different issue. Finland understands the position of ICRC in terms of keeping its distance to the UN system, in order to preserve the perception of its NIIHA, but requires the Red Cross Movement at least to participate in the information sharing. Finland as a donor does not participate in formulation of CHAPS.

Finland is an active member in the humanitarian donor community and participates in various Donor Support/Friend Groups. Finland is also active in terms of promoting a policy dialogue in the UN agencies' Executive Boards which are the main channels for promoting accountability, efficiency and effectiveness of humanitarian action in line with Good Humanitarian Donorship, humanitarian reform agenda and IASC Principles Agenda for Change (see discussion above). In terms of ensuring accountability, this is an issue reviewed by state auditors. Finland has also a strong policy dialogue with the Red Cross Red Crescent Movement. In addition, Finland promotes the application of Sphere Standards.

In terms of providing diplomatic support to humanitarian assistance, the MFA Ministers and Ambassadors provide it, when necessary. In addition, president Ahtisaari's CMI office and the special representative, MEP Pekka Haavisto (former development minister) have contributed actively towards diplomatic support. Currently, the MFA is starting peace mediation within its foreign policy approaches.

6.3.1 Promotion of Oslo and MCDA Guidelines

The safety and security of humanitarian workers is an important issue for Finland. Finland on her part has tried to promote the understanding that safety and security is linked to the respect of the humanitarian principles, the independence and the apolitical nature of HA. Upholding of this "primary position" is done through dialogue and positions taken for various meetings and position papers. The fundamental principles of HA are known by the Ministry of Interior and the Ministry of Defence.

However, the universal understanding of the fundamental principles is still lacking. The Humanitarian Unit itself is strongly adhering to the fundamental humanitarian principles, but sometimes has difficulties in getting its position through in the internal policy dialogue.

The Oslo and MCDA Guidelines are mentioned in the Finnish Humanitarian Policy Guidelines and the promotion of them is carried out constantly through different awareness raising activities (such as training, speeches, lecturing eg. during courses in Crises Management Centre in Kuopio (Ministry of Interior) and writing articles in daily newspapers). More could be done with human resources allowing, for example more systematic training of the Finnish peacekeepers. Now the Finnish Red Cross is training the peacekeepers in IHL and humanitarian principles. The Humanitarian Unit always highlights the importance of the Oslo and MCDA Guidelines in the relevant position papers (eg. EU CFSP).

6.4 LINKING RELIEF TO REHABILITATION AND DEVELOPMENT

The general objective of linking relief and rehabilitation to development (LRRD) is highlighted in several Finnish development policies. The Humanitarian Guidelines specifically highlights comprehensive continuum as an underlying principle of the humanitarian assistance and development cooperation. The current development policy also states that Finnish humanitarian assistance is underpinned by the concept of systematic linkage between relief and development. However, putting these principles into practice is sometimes a challenge.

In terms of coordinating humanitarian assistance with development cooperation it should be noted that when allocating funds for humanitarian operations, the Unit always consults with the respective Regional Units and the country desk officers, in order to obtain their views before the funding decisions.

6.4.1 Significant progress made in terms of DRR

Hyogo Framework for Action is reflected in the Finnish Humanitarian Policy Guidelines. As a result of a systematic lobbying by the Humanitarian Unit, in May 2010 Finland started to prepare its National Hyogo Action Plan under the leadership of the Ministry of Interior. The document is now finalised and being translated into English. This Plan sets the objectives and actions at the national level for 2011-2015 and was very much done as a “whole-of-government” approach.

In addition, significant progress has been made in terms of integrating Disaster Risk Reduction in the Finnish Development Cooperation. An evaluation carried out in 2009 “Natural Disasters, Climate Change and Poverty” was an important step forward in promoting DRR. The need to mainstream DRR concerns into all development cooperation is reflected in the up-coming Development Policy Program. Also the new project design guidelines will include DRR. Training related to integration of DRR into the design of development projects is planned for 2012, when the new hand-book is finalized.

Finland does not fund capacity building or risk reduction activities from its operational humanitarian aid allocations, as we consider it to mostly belong to development activities. However, Finland provides the agencies with flexible core funding, which can be used for emergency preparedness, contingency planning or all kind of capacity building. Finland participates actively in contingency discussions at the

EB level (eg. WFP). It is hoped that in future as the DRR mainstreaming proceeds, Finland would be in a position to invest more in the preparedness and risk management.

Finland has organised some specific workshops and events related to DRR. The impact of natural disasters on national economies and the linkages between DRR, poverty reduction and climate change are now better understood as a result of the seminar organised by the MFA with World Bank. In addition, in 2011 Finland cooperated with UNISDR in arranging a DRR work-shop in Helsinki on "Tracking DRR Data". Participants came from FAO, UNDP, WB/GFDRR, WMO, DI, independent consultants, etc.

6.4.2 Support to Post-Conflict Transition and LRRD

To ensure aid effectiveness and to avoid aid fragmentation, Finland has focused its bilateral development activities on eight long-term partner countries. However, Finland's humanitarian assistance is targeted globally on needs basis to ODA eligible countries. Therefore LRRD in the Finnish Development Cooperation is mainly achieved through multilateral channels, such as the United Nations, the European Union and the World Bank, and through the work of the Non-Governmental Organizations.

The Finnish Humanitarian funding can be used in a flexible manner for early recovery purposes. In the transition phase, the regional departments take the lead. According to the 2007 Development Policy, there are several countries recovering and transiting from conflicts that Finland has supported, including for example Afghanistan, South-Sudan, Kosovo and Bosnia-Herzegovina. In addition, there are countries that need temporary support after a significant natural disaster, for example Pakistan and Haiti.

The humanitarian unit has conducted a specific study on Linking Relief to Rehabilitation and Development. The unit has also participated actively in the OEDC-DAC Aid Architecture and Financing Task team and Finland has endorsed the New Deal-document. The Unit has promoted the idea of the MFA having a separate budget line for transition funding, in order to ensure more predictable support for transition, but this has not materialized.

6.5 LEARNING AND ACCOUNTABILITY

The evaluation function of the MFA focuses mainly on development cooperation activities. However, the Unit gets professional assistance from the Evaluation Unit when needed. The "system wide" evaluation regarding how the humanitarian assistance is functioning in the Ministry is evaluated every 8 to 10 years, and the last such evaluation was carried out in 2005 (Evaluation of Finnish Humanitarian Assistance 1996-2004; Final Report April 10th 2005) which was mentioned in the last Peer Review in 2007. At the moment of writing, the Ministry is awaiting the State Auditors Report of Humanitarian Assistance. An Evaluation Synthesis on humanitarian evaluations was prepared in english for the auditors by a consultant.

The humanitarian unit follows evaluations carried out by the UN system and participates actively in the deliberations concerning them at Executive Boards and Donor Support Groups. In the MFA evaluations, attention has been given to humanitarian action as an add-on when eg. Finnish NGOs have been evaluated regarding their development cooperation activities. Evaluations of country programs might also include a humanitarian dimension when relevant.

Finland accepts the Standardized Reporting done by UN agencies, and does not request special reports to Finland. In the case of Finnish NGOs, specific reporting is required in agreements concluded with a given NGO.

Regarding challenges in reporting of humanitarian expenditure to the DAC, OCHA financial tracking system, ECHO 14-point system (today called EDRIS), no real challenges have been experienced. One problem has been in the EDRIS system which requests the “statistician” to fill in the form and include how an un-earmarked contribution is divided between different kind of HA (food, nutrition, wash, education, health etc.). This is not possible due to the way HA funds are allocated “flexibly”.

6.6 ORGANISATION AND MANAGEMENT OF HUMANITARIAN ACTION

The Humanitarian Unit is a small unit consisting of only 7 staff members, including Director, Deputy to the Director, three Desk Officers, a senior Humanitarian Advisor and a Secretary. The staff of the Unit changes continuously and it is hard to sustain adequate knowledge and institutional memory. As the MFA is facing substantial cuts in terms of staffing levels, it is not possible to augment staffing.

As Finland does not have bilateral humanitarian operations there is no programming or field staff designated especially for HA. However, in Embassies, usually the staff member dealing with development cooperation is assigned with the task to also follow-up humanitarian assistance.

Training for staff responsible for HA is more or less on- the- job training and through the provision of advice and proper supervision. Trainings by the Red Cross and FinnChurchAid have been used as well. The so called Montreaux retreat has also been used as a training event. New staff members participate often in courses organized by the Department for Development Policy for outgoing staff, development experts, etc. Special sessions on humanitarian assistance and DRR have been included in the so called KEVALKU trainings addressed to the outgoing staff.

In terms of information dissemination, advocacy and media activities, the humanitarian unit always submits a Press Release to the media in Finnish, Swedish and English when a funding allocation is made. The unit has also organized some special events for media and a field trip to Pakistan, for the journalists to familiarize themselves with the humanitarian system. The staff members have also written articles to the Finnish newspapers.

6.7 CROSS-CUTTING THEMES

The 2007 Finnish humanitarian policy emphasizes the provision of assistance to the least developed countries and most vulnerable people including people living with HIV. It notes that the HIV epidemic makes people more vulnerable to impact of catastrophes and for this reason , HIV is likely to play a more prominent role in the policy after it has been reviewed. Moreover, the policy stresses environmental impact assessment of humanitarian support and comprehensive consideration of gender and age.

Finnish humanitarian aid is largely channeled through such organizations (WFP, UNHCR, WHO, UNFPA, UNICEF, NGOs) that mainstream gender, HIV and other cross-cutting themes in their humanitarian programs. Through bilateral meetings with and the Board meetings of these organizations Finland works to ensure that humanitarian actors and implementing partners adequately

address all cross-cutting themes. Finland has also been involved in developing the MOPAN survey methodology for humanitarian aid in order to ensure that cross-cutting themes are included.

In addition to actively promoting cross-cutting themes through policy dialogue, Finland has considered them when making funding allocations and supported especially UNFPA, UNICEF and WHO for ensuring that gender issues and HIV/AIDS dimensions are taken into account in the humanitarian operations (see chapter 1.7. on Cross-Cutting Themes and Capacity Building). In addition to the cross-cutting themes mentioned earlier, the Finnish development policy also highlights the rights of the child as a cross-cutting theme. Support has been provided to the humanitarian programs of the UNICEF, which has a special protection mandate in relation to children in the humanitarian settings.