



How Finland's Development Policy and Cooperation Reinforces Economies, Job Creation and Livelihoods in Partner Countries

Development policy framework for reinforcing economic development

Finland's Development Policy of 2016 'One world, common future, sustainable development', states that the core objective of the development cooperation is to eradicate poverty and to reduce inequality. It strongly emphasizes that Finnish support will focus on reinforcing the capacity of developing countries' and countries in transition own economies to generate more jobs, livelihood opportunities and well-being. Finland's development policy is also guided by the UN 2030 Agenda for Sustainable Development: environmental, social and economic sustainability go hand-in-hand.

The present Government Programme 2019–2023 is another important policy framework for supporting long-term economic development. It aims to strengthen the partner countries' own tax and revenue systems due to which it also requires that the companies that are supported through development cooperation instruments will respect the criteria of openness and be accountable for taxes.

Objectives of the long-term economic development

The policy area brings together several actors within the ministry and covers various operating modalities. Finland aims to improve the operational preconditions of the private sector and its possibilities to create jobs through grants and loans. At the same time, it endeavors to support the enabling business environment through the development of relevant legal framework, taxation and innovations, to ensure that the economic development would benefit all groups of society. Special focus has been on the creation of job opportunities. The quality of jobs, their capacity to promote gender equality as well as sustainability of the said opportunities are of key importance.

Finland's objectives related to economic development, job creation and livelihoods

The Finnish support should result in the following:

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

This evaluation

The purpose of the forward-looking evaluation was to provide guidance on how The Ministry for Foreign Affairs of Finland (MFA) might tailor its efforts in the future and add value for relevant, effective and coordinated development cooperation by providing strategic and operational recommendations.

The objective of the evaluation was to examine how Finland's cooperation has contributed to strengthening the economy, creating jobs and improving livelihoods in partner countries and how the related development policy objectives have been achieved and fulfilled through the various thematic approaches, cooperation modalities and funding instruments. The evaluation identified **successful interventions** as well as formed a comprehensive understanding of related **challenges**. Furthermore, the evaluation assessed Finland's **strengths and weaknesses**, and made recommendations for further improvement

of future cooperation with partner countries and institutions. The evaluation explored what could the MFA learn from its peer organizations and how to further develop its effectiveness.

The evaluation **focused** on the strategic development policy issues, projects and practices implemented within the timeframe 2016–2019. It took stock of the past interventions and draw lessons from this for the future. The evaluation was conducted and reported by the external evaluation team.

The methodology followed an iterative mix-methods approach based on multiple streams of evidence from several components: the Country Case Studies of **Kenya, Tanzania and Zambia**, the analysis of the specific thematic areas **energy, innovation, taxation and women's economic empowerment**, the study on **private sector instruments** and the **review of good practices** builds an overall picture of development policies on economic development of the selected Nordic peers Sweden, Norway, Denmark and Finland and some global trends.

The Main Evaluation Questions

1. To what extent and how are the development policy objectives of economic development, job creation and livelihoods being achieved? How relevant have the interventions been in relation to partner country needs?
2. What can the Ministry for Foreign Affairs learn from its peer organisations and from emerging international best practices for more relevant, effective and coordinated support?
3. How can the effectiveness of Finnish development cooperation be further developed and how the Results-based Management system can be further refined?

Note: Limitations because of the Covid-19 outbreak. Due to the COVID-19 pandemic, the evaluation did not include field missions by the core team to the Case Study Countries, nor visits to individual projects. Instead, experienced country experts were engaged to work closely with the core team members in order to identify and interview informants and gather relevant information.

Key messages of the evaluation

The evaluation findings, conclusions and recommendations give food for thought for further improving Finland's policies and practices to achieve better results. The following highlights are summarized by the the MFA's Development Evaluation Unit.

STRENGTHS AND OPPORTUNITIES

Most of the approaches, instruments and interventions are highly relevant and effective

According to evaluation the interventions has responded well to most of the development challenges faced by the partner countries. Some good examples of these are certain bilateral innovation partnership, forestry and energy programmes, as well as, initiatives in the thematic areas of innovation and taxation. Moreover, measures taken to promote women's economic empowerment (WEE) have led to positive changes. The relevant support of WEE is channelled through multilateral organizations. WEE is particularly linked to decent work, livelihoods and income and the support has been highly relevant to the partner countries. Finnfund (the bilateral development finance institution of government of Finland), as a whole, proved to be successful funding mechanism. The Finnish innovation support proved to be relevant against the Finnish development policy and partner country needs.

Finland's support has led to many success stories in the long-term partner countries evaluated. They include bilateral innovation projects in Tanzania and new livelihood opportunities for young people and rural residents in Zambia, renewable technologies and enhancing access to clean energy in Kenya.

Overall, the MFA has been active in designing new instruments and approaches for leveraging private sector knowledge, financial resources and technology for development. Consequently, the interest of Finnish private sector towards emerging markets has increased.

Promising elements geared towards increasing coherence of interventions

The evaluation confirms that the coherence of the actions to strengthen the portfolio of economic development, job creation and livelihoods in partner countries has moved in the right direction. The MFA has strengthened the guidance towards coherence of its development cooperation in recent years by defining specific priorities for development policy and linking the objectives of the country strategies to them.

According to the evaluation, the objectives of the individual projects were in line with these broader objectives. Support for the energy sector, innovation, taxation and the economic empowerment of women generally met both the objectives of Finland's development policy and the needs of the partner countries. Taxation for Development, Finland's Action Programme (2020–2023), is an example of a further step in strengthening coherence of interventions.

AREAS FOR IMPROVEMENT

Still untapped potential for even better results

The evaluation revealed that there were shortcomings in the implementation of some interventions. Achievements were in some instances fragmented, and not all opportunities for operational development were exploited. There are gaps in private sector funding mechanisms that limit their ability to create successful and development-oriented business models. The main weakness is that that private sector instruments (PSIs) do not provide continuum of finance and support services that would allow for gradual growth of companies or the commercialization of innovations.

Finland has an overall tendency to channel more aid through multilateral organizations and allocate resources through multiple channels. Although multilateral cooperation offers many opportunities and increases aid volume, it may reduce the bilateral communications and business opportunities of Finnish companies. It may also limit embassies' ability to support them and manage the portfolio. In some cases, this tendency may weaken Finland's ability to influence country level goals and reduce business opportunities of Finnish companies.

As the emphasis is currently laid more on commercial relations rather than traditional development cooperation, the transition process should be strategized well in advance and sufficiently resourced.

There is a need for comprehensive approach and filling the gaps

The main lesson for Finland from the global and Nordic experiences reviewed is that **boosting economic development and private sector engagement requires a comprehensive approach** composed of several interdependent elements. Yet, limited internal and external coherence, together with the gaps identified in the implementation, limit the success and lead to missed opportunities for creating wider impact.

Lack of comprehensive policy and leadership has reduced the coherence of the Finnish portfolio. The ways of strengthening the economies and private sector cooperation have not been adequately defined which in turn has resulted in fragmentation of activities. The active participation of the private sector is needed, as the companies are also an important source of innovation and solutions. In this regard, defining and coordinating the role of companies is of paramount importance to Finland's development policy, according to the evaluation.

All forms of development interventions are directly or indirectly relevant for economic development, job creation, strengthening of livelihood opportunities, and furthering human wellbeing.

Relevance and effectiveness of the Private sector Instruments (PSIs*)

- All PSIs show at least **satisfactory relevance vis-à-vis Finnish development policy goals**
- When it comes to **relevance vis-à-vis partner country needs**, there is **more variance** between the instruments.
- The **lack of overall strategic guidance** on PSIs and inconsistencies in current steering arrangements appear to **affect negatively the effectiveness** of the PSIs.
- The PSIs **do not constitute a clear continuum of support, finance and services** for the growth of companies or commercialization of their innovations.

* Finnfund, Finland-IFC Blended Finance for Climate Change (FIBFC), Finnpartnership, Business with Impact (BEAM), Public Investment Facility (PIF), Finn Church Aid Investments (FCAI)

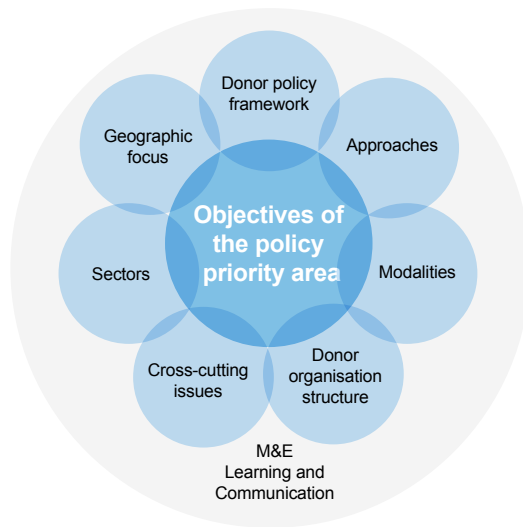
HOW CAN THE EFFECTIVENESS OF FINNISH DEVELOPMENT COOPERATION RELATED TO ECONOMIC DEVELOPMENT BE FURTHER DEVELOPED?

The evaluation encourages the MFA to develop a comprehensive, coherent and actionable Policy for Economic Development and Private Sector Engagement. In addition, it recommends developing practical Private Sector Instrument Guidelines to accompany the Policy. It suggests making implementation of the portfolio of economic development, job creation and livelihoods more holistic by adopting for instance an ecosystem or other systemic approach to programming.

Furthermore, the evaluation recommends to both continue investing into direct, bilateral programmes in selected strategic sectors (forestry, innovation, private sector development) and seizing opportunities for increasing partnerships and collaboration with multilateral programming. Transitioning countries in particular could benefit closer coordination and collaborations with multilaterals. The implementation of the portfolio could become more coherent by strengthening working together across departments and embassies.

The policy lays the foundations, provide mandate, define key concepts and presents the vision and means for comprehensive approach. Following elements need to be defined in the policy to streamline the coherent, relevant and effective implementation of the portfolio: objective of the policy priority area and policy framework, the donor's priorities in geographical areas, supported sectors, cross-cutting objectives and themes, approaches used in implementation and aid modalities.

It is also important to design and implement a comprehensive, systemic solution to address all aspects of the development needs/challenges in a collaborative manner. This means tightening collaboration with various domestic partners, private sector, NGOs and the partner country authorities, business and stakeholders. It is useful to include a concrete roadmap for implementing the approach, as well.



Elements that build the basis for a comprehensive approach to economic development and private sector engagement

A relevant monitoring, evaluation, learning and communication strategy would ensure that results are measured, documented, and used by key stakeholders. In addition, it is recommended that any policy of economic development would outline how the work is organized in funding organizations.

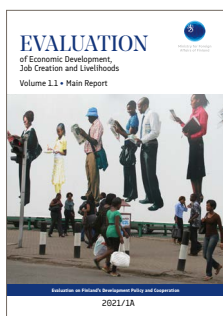
Response to Covid-19

The effects of the pandemic on economies, jobs, livelihood opportunities and poverty are likely to be profound worldwide. Innovation funds, labs and programming supported by Finland have been relatively fast moving to try and provide responses to pandemic. This applies to responses aimed at making the innovation ecosystem stronger and more resilient, and the responses aimed at helping societies to cope with the situation. The focus of the portfolio in the response to Covid-19 or any future pandemics could be both on the immediate response to issues related to people's subsistence income and on contributing to building economic resilience over all. In the future, it is important to enhance the resilience of the innovation systems, as well.

Lessons from Nordic Peers

Among some Nordic donors "economic development", including private sector development and private sector engagement, is typically one of the pillars of development policies or approaches. There is a trend that engagement strategies and instruments are being tailored to respond even more to the needs of the private sector actors, therefore it is important to clarify the role of domestic companies versus private sector development in the partner countries. When launching new PSIs, there is a need to ensure mutual complementary between the current and new instruments and modalities, as well. When it comes to a policy framework the lesson is that concrete and measurable poverty reduction result objectives need to be defined, if donors intends to establish better linkages between private sector development interventions and poverty reduction.

The evaluation "Economic Development, Job Creation and Livelihoods" consists of four parts:



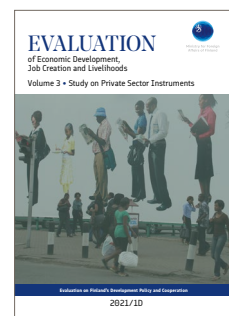
Volume 1.1. Main Report (2021/1A), represents the key findings, conclusions and recommendations of the evaluation. It provides four strategic recommendations on leadership, policy, guidelines and managing for results, and three operational recommendation on implementation within the MFA.



Volume 1.2. Annexes (2021/1B), includes methodological annexes, the thematic analysis on energy, innovation, taxation and women's economic empowerment, and the study on the Best Practices and lessons learned from the Peer Review of selected Nordic approaches and global trends.



Volume 2. Case Studies (2021/1C), includes the results of the Case country studies of Kenya, Zambia and Tanzania, context analyses of critical constrains and needs of each country, and presents lessons from country experience and implications for future development.



Volume 3, Study on Private Sector Instruments (2021/1D), is an analytical review of Private Sector Instruments, assessing the nature and role of business and innovation development support in partner countries.

