15.09.2018

Manual for bilateral programmes

Ministry for Foreign Affairs of Finland

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List of Acronyms

AB	Advisory Board
ADB	Asian Development Bank
DAC	OECD Development Assistance Committee
DFTAD	Global Affairs Canada, Government of Canada
DRR	Disaster Risk Reduction
EU	European Union
GPEDC	Global Partnership for Effective Development Cooperation
HRBA	Human Rights Based Approach to Development
M&E	Monitoring and Evaluation
MFA	Ministry for Foreign Affairs of Finland
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PCM	Programme Cycle Management
PD	Project / Programme Document
PIU	Project Implementation Unit
PMT	Project / Programme Management Team
PMU	Project Management Unit
RBM	Results Based Management
SB	Supervisory Board
SC	Steering Committee
SDG	Sustainable Development Goal
TA	Technical Assistance
ToR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNDG	United Nations Development Group

Introduction

Bilateral development cooperation is an important part of Finnish Cooperation with developing countries. This manual is meant to be used in bilateral cooperation in a wide sense. **Part 1** shall be applied in cooperation that has been agreed between Finland and partner country government, and it contains several elements that are useful also in the planning and implementation of other forms of cooperation, such as CSO cooperation and institutional cooperation between higher education institutions and state agencies. **Part 2** applies only to bilateral projects between Ministry for Foreign Affairs and partner country government.

The manual is intended for the Ministry for Foreign Affairs (MFA) personnel at headquarters and in the Embassies worldwide as well as for partner and stakeholder organizations and companies engaged in development cooperation.

The guidance aims to enhance the quality of preparation and implementation of bilateral projects and programmes. Separate guidelines are available for other types of bilateral cooperation like sector programme and Institutional Cooperation Instrument.

This manual provides detailed guidance on how the MFA guidelines on Results Based Management (RBM) and on the Human Rights Based Approach to Development (HRBA) are applied in project/programme cycle. Furthermore, it aims to ensure that the quality criteria of relevance, effectiveness, efficiency, impact and sustainability (as defined by the OECD/DAC), are met and international principles for development effectiveness are adhered to in Finnish development cooperation.

What is new?

New guidance for Results Based Management.

New guidance for the Human Rights Based Appoach.

Stronger emphasis on risk management.

Updated tools and sample document templates.

Templates and Tools

The manual is supported by tools, such as document outlines, sample document templates and checklists that can be applied fully or partially in various phases of the project cycle. The manual includes also links to important reference documents, such as MFA policies and guidelines.

This Manual as well as supportive templates are available in um.fi website https://um.fi/publications/-/asset_publisher/TVOLgBmLyZvu/content/manual-for-bilateral-programmes

Structure of the Manual

Chapter 1 gives an overview on the development policy framework and guiding principles of Results Based Management (RBM) and the Human Rights Based Approach to Development (HRBA). MFA is committed to apply RBM and HRBA and they are integrated in the various phases of project cycle. While RBM is a management tool to help reach desired results, the HRBA is a framework that helps define what type of results are pursued and what kind of process is applied to reach them. From Chapter 2 onwards this manual follows the programme cycle and explains how to apply the RBM and HRBA in various phases from programming to identification, project formulation and implementation

Note on terminology

In this manual the terms project and programme are used interchangeably. The concept is derived from the MFA manual for Bilateral Programmes (2012), also used in the MFA Evaluation manual (2013):

"The term programme is used as an overall term to cover both projects and larger programmes (e.g. consisting of several projects or a great number of components, or covering a whole sector)."

In this manual the term stakeholders includes persons, groups, authorities, civil society organizations and institutions affected by the intervention, including the rights holders, duty bearers and other relevant responsible parties.

The term "competent authorities" refers to the MFA and the competent government representative of the partner country.

Development policy is used to refer to the priorities and principles of each government, be it in the form of government report, action plan or programme.

Bilateral cooperation refers to cooperation agreed between Finland and partner country government. According to the OECD's Development Assistance Committee (DAC), bilateral aid represents flows from official (government) sources directly to official sources in the recipient country. In the Budget of the Government of Finland, the bilateral cooperation is included in the country-specific and regional development cooperation and includes programmes of bilateral technical assistance.

1 Development Policy Framework

Finland's development policy and development cooperation are guided by the 2030 Agenda for Sustainable Development, endorsed within the UN. Finland is committed to support developing countries in their efforts to implement the Agenda.

The core goal of Finland's development policy is to eradicate extreme poverty and to reduce poverty and inequality. The realisation of human rights is a key goal in Finland's development policy. The aim is also to strengthen the capacity of individuals and authorities to promote human rights as well as to assure that development cooperation is not discriminatory and people have an opportunity to participate in decision making. This is known as the human rights based approach to development. Gender equality, non-discrimination and climate sustainability are cross-cutting objectives in Finland's development policy and are therefore advanced by all interventions.

Finland's values and principles and its international commitments will be taken account of in the planning and implementation of all actions. They provide long-term guidelines for action, which remain valid from one government term to the next. These values and principles include democracy and the rule of law, gender equality and human rights, freedom of speech, sustainable market economy and sustainable use of natural resources and the Nordic welfare state, including a high level of education.

In accordance with the Finnish Government Report to Parliament (2016) development cooperation will have a special focus on the following priority areas:

I enhancing the rights and status of women and girls;

II improving the economies of developing countries to ensure more jobs, livelihood opportunities and well-being;

III democratic and better functioning societies;

IV increased food security and better access to water and energy; and the sustainability of natural resources.

Finland will pursue its development policy coherently to ensure that the individual policy goals listed in the Government Programme support the achievement of sustainable development.

International commitments to principles that guide good aid practices:

- *Paris Declaration on Aid Effectiveness (2005)*
- *Accra Agenda for Action (2008)*
- *Busan Partnership Agreement (2011)*

International agreements and commitments that aim at strengthening the quality and effectiveness of development cooperation guide the planning and implementation of all forms of cooperation. Sustainable impacts are pursued, for example, by focusing on results that are aligned with partners' priorities, thus ensuring ownership and mutual accountability.

Chapter 2 of this manual focuses on the quality of development cooperation and provides detailed guidance on how the policy framework of Finland and the above mentioned principles are put into practice in programming, formulating and implementing development cooperation.

Strengthening Governance as an Entry Point for Anti-Corruption

Finland has a very strong policy against corruption. The MFA anti-corruption policy covers all programme/project activities, as well as the staff of organizations involved with the projects. Governance principles (e.g. participation, rule of law, transparency, responsiveness, effectiveness, efficiency and accountability) are all found in legally binding international conventions ratified by Finland and also by the partner countries of Finland and need to be adhered to in all development interventions and across all phases of programme cycle.

Strengthening governance and the rule of law, as well as transparency and accountability, is the best way to prevent corruption. Local context and governance analyses (e.g. political economy analysis) are important tools and support development of transparent, participatory and accountable governance and management mechanisms. Corruption is a risk that must be considered in Finnish bilateral programs. This manual provides instructions on how to manage corruption risks during different phases of the project cycle. The MFA Anti-Corruption Handbook 2012 provides conceptual and technical guidance. The manual is available online (see link below). Stakeholders suspecting misuse of funds must always report it, for example by filing a report through the internet link https://um.fi/do-you-suspect-misuse-of-development-cooperation-funds-, https://um.fi/do-you-suspect-misuse-of-development-cooperation-funds-

Further reading and Links:
Finland's Development Policy: One world, common future – towards sustainable development (Government of Finland Report to the Parliament 4 February 2016)
https://um.fi/documents/35732/48132/government_report_on_development_policy_2016

MFA 2012 Anti-Corruption Handbook for Development Practitioners
https://um.fi/documents/35732/48132/anti_corruption_handbook_for_development_practitioners

Finland's Development Policy and Development Cooperation in Fragile States
– Guidelines for Strengthening Implementation of Development Cooperation
https://julkaisut.um.fi/p/449-finlands-development-policy-in-fragile-states/

Tell us about any alleged misuse in development
https://um.fi/do-you-suspect-misuse-of-development-cooperation-funds-

Stakeholders are encouraged to report any alleged misuse of development cooperation funds. A report can be done anonymously by using the link given on the MFA website (see the link below).

1.1 Results Based Management

The Ministry for Foreign Affairs has placed attention to the strengthening of Results Based Management (RBM) practices in development cooperation. Results based management shifts management attention from inputs, activities, and processes to desired results – from what has been done to what has been achieved. Results based management is applied in all phases of development projects and programmes.

The Results Chain and Results Framework are the main tools of the Results Based Management.

The approach to RBM is presented in leaflet "Results Based Management in Finland's Development Cooperation – Concepts and Guiding Principles", MFA 2015.
https://um.fi/doc/RBM_yleisohje/files/assets/basic-html/page-1.html#

Base project/programme results targets on national priorities and ownership

- Results targets of Finland supported projects and programmes need to be based on national development priorities by partner countries and/or development challenges of its people. Policy relevance is promoted and monitored throughout the project/programme implementation. Ownership at identification and formulation phase is promoted through jointly defined results and results targets.

Set clear results targets at all levels

- Specific results targets and related indicators are defined at impact, outcome, and output level. The project/programme design also includes results strategies and frameworks outlining the intervention logic, including assumptions and risks.

Collect credible results information

- Credible information on results, based on indicators, as well as risks and assumptions is collected and analysed.

Use results information for learning, managing and accountability

- The RBM promotes the use of information and evidence on results, collected through monitoring and evaluation, to inform management, and to guide the programme implementation, resourcing, and accountability.

Promote results oriented culture

- Organizational information systems and building cost effective information systems that provide easy access to information on results and progress of operations need to be supported. It is also important to strengthen the data availability and reliability in partner countries.

Balance between short-term and long-term results

- It is important to link the short-term results of the project/programme to long-term changes (impacts). This can be done through designing a sound internal logic for the project. Pressure to account for clear and measurable results should not lead to an over focus on short-term results.

Results Chain

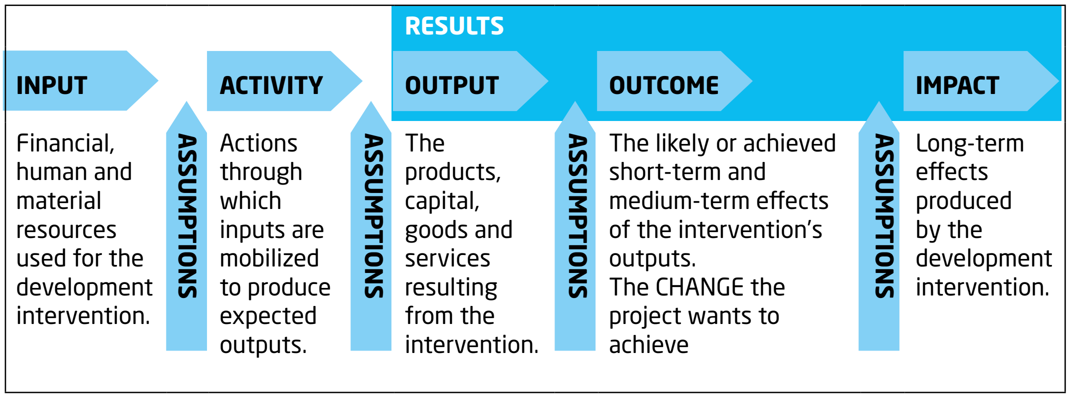
The Results Chain, often also called as Theory of Change when supplemented with a contextual analysis, demonstrates the internal logic of the intervention showing through which inputs, activities and outputs the outcome and impact will be achieved, given that the assumptions hold. The Results Chain is a logical presentation of the pattern of results generated by the project based on a theory how the intended change is expected to happen.

The Results Chain is a dynamic tool used in designing projects and programmes. Changes to the Results Chain are often needed in the course of implementation as the circumstances change or strategies may prove ineffective. Therefore, the programming and implementation should allow and leave room for a certain level of flexibility and adaptation to the changing circumstances in order to continuously find the most effective way to achieve the planned outcome and impact. However, the outcome and expected impact are fixed at the earliest stage as they form the basis of planning for the intervention.

The achievement of a project's results is also a consequence of other factors than those the project can directly control. These factors beyond the control of the project are called assumptions and they are taken into consideration when setting results. Assumptions need to be realized to achieve results and to move from one result level to another and in transforming the inputs into activities. Monitoring the realization of these assumptions is part of project management, monitoring and reporting

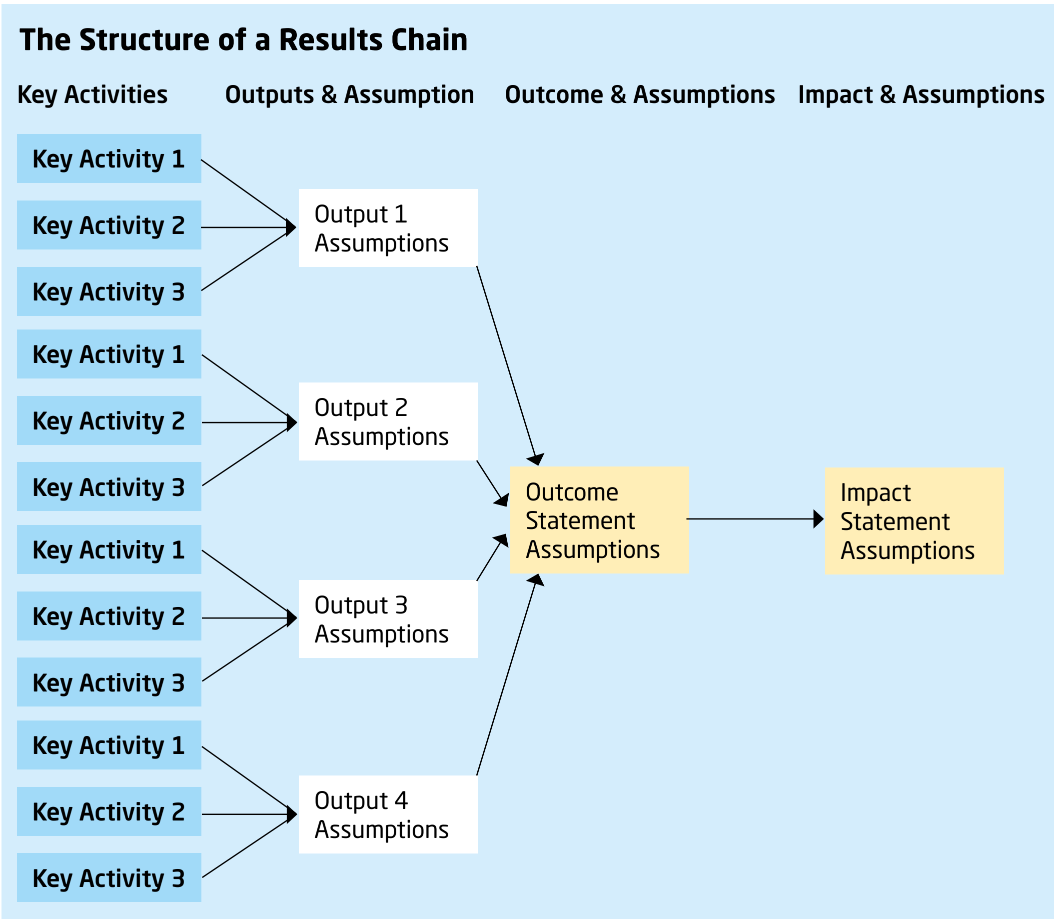
The following figure illustrates the key elements of a Results Chain and the levels of results. The Results Chain definition in Figure 1 is a shortened version of the OECD/DAC definitions used by the MFA. (See page 6 in the guidance note Results Based Management in Finland's Development Cooperation https://um.fi/doc/RBM_yleisohje/files/assets/basic-html/page-1.html#

Figure 1: Results Chain



Although graphic presentations of a programme's Results Chain often show a linear logic chain leading to outcome and impact, cause-effect relationships are rarely simple and linear. An example of the use of Results Chain is presented in Figure 2 and further elaborated in Annex I.

Figure 2: Structure and Example of a Results Chain



An Example of a Results Chain

Key Activities (examples)	Outputs & Assumptions	Outcome & Assumptions	Impact & Assumptions
Administrative restructuring of Dept. of Higher Education Phased introduction of tuition fees Implementation of gender and ethnic group action plan	**Output 1** Strengthened management, financing, and governance of higher education system **Assumptions:** MoE allows DHE staff to attend development programme.	**Outcome:** An expanded, improved, and equitable higher education system **Assumptions:** MoE supports the development of coherent policy and legal framework for development of higher education	**Impact:** Improved economic competitiveness and increased employment opportunities for higher education graduates **Assumptions:** The economy of Lao PDR grows on sustainable basis. Government sustains priority for higher education.
Tracer studies to track graduate employment Ongoig development of faculty-specific training packages Teacher performance advisory assessment package developed	**Output 2** Enhanced relevance and capacity for quality improvement **Assumptions:** Trained staff and faculty members at universities remain in profession.		
Packages of diagnostic pre-entry tests developed and trialed Development and implemen-tation of remedial skills Classrooms, dormitories, toilets and student facilities constructed	**Output 3** Increased equity and access in higher education **Assumptions:** Government issues a decree to change quota ratios.		

Modified from: Proposed Asian Development Fund Grant Lao People's Republic: Strengthening Higher Education Project, Report and Recommendations of the President to the Board of Directors, Project Number 42134, Sept 2009

Box 1: Key Questions for a Results Based Project Planning

Key Questions for a results Based Project Planning

- Why do we want to do this project in the first place/what are the long-term changes we aim at? (impact)
- What is the project going to accomplish? What short-term and medium-term changes do we wish to achieve with the project's outputs? (outcome)
- What is produced or delivered by the project (outputs) and what key activities need to be carried out? (activities)
- What resources (inputs) are required?
- What are the potential risks that may affect the success of the project?
- What are the fundamental assumptions that the project design is based on?
- How do we measure (indicators) and verify (data sources) success?

Results = Impact, Outcome and Outputs

The planning of a Results Chain starts from defining the expected impact and outcome. After they have been defined, the planning process proceeds to the selection of appropriate implementation strategies, and to identifying the outputs, activities and inputs required to achieve the outcome.

Three levels of results are defined for an intervention: Impact, Outcome and Output

The design and establishment of the causal linkages between outputs, outcome and impact should be based on careful analysis of the contextual assumptions and related risks which would facilitate or endanger the success of the proposed interventions.

Box 2: Examples of Results and Results Indicators

Examples of Results and Results Indicators

Impact
Impacts can be measured through indicators such as people living below poverty line or under five mortality rate.

Outcome
Outcome can be measured by the percentage of births attended by skilled health personnel and prevalence of underweight children.

Outputs
Outputs can be measured through indicators such as health workers trained, and number of health clinics equipped.

Impact

Impact is long-term effect produced by the development intervention. The impact statement defines the ultimate benefits of the project for final beneficiaries. It describes the higher level result towards which the development intervention aims to contribute. The impact is influenced by many other factors than the project itself, but there should be a direct contribution relationship between the outcome and the impact.

Impact level results for the development intervention can be drawn from the country's development or sector plans and MFA country strategies. Partner country's plans and sector plans can also be used in defining impact indicators.

Outcome

The outcome statement describes the change that the project intends to make and what the project intends to accomplish by the end of the project implementation if the assumptions hold. Doing so makes it clear which development problem the project will address.

A project/programme should preferably have only one outcome statement. The outcome statement combines the intended effects of the project's outputs. Use of one single statement strengthens the internal coherence, clarity and focus of the project/programme. The aim of identifying one outcome statement is to ensure that all activities and outputs are geared towards the same outcome. Outcomes are short- and medium-term effects of intervention's outputs.

The project's outcome is the anchor of the project design. The project formulation starts from defining the outcome statement. It typically describes the change in the behaviour of the beneficiaries. It can also describe performance changes in systems, organizations, and institutions, e.g. financial services are more accessible to small enterprises. Outcome may be expressed in terms of benefits to the beneficiaries being 'increased, improved, etc.'

The outcome statement is always accompanied with outcome indicators. Outcome indicators illustrate the various dimensions of the outcome statement (e.g. qualitative or quantitative changes). These outcome indicators describe the project's immediate effect in measurable terms. Human rights can be considered in the outcome indicators. The data that is collected for indicators must always be gender disaggregated.

The outcome indicators are established during the identification phase and finalized during the formulation phase. Thus, planning for the monitoring starts when the outcome is defined. It is advisable that the baselines and target values for each indicator are established at the earliest stage, but they must be available at the end of the inception phase at the latest.

Outputs

Outputs are physical and/or tangible goods or services delivered by the project. They are necessary to achieve the outcome. The outputs are directly linked and attributable to the intervention itself. The outputs are usually expressed in quantitative and qualitative terms such as "delivered, trained, constructed, and produced". Sometimes it is important to include the perspective of beneficiaries in selected outputs.

The project usually delivers several outputs. Sometimes projects or programmes are constructed from different "result areas" (also referred as "project components"). For example, ten different outputs can be grouped under three Result areas, Result area is an additional level of analytic, constructed purely for the purpose of making the result chain more easily understandable. It helps to group closely related outputs together. Result areas do not need their own outcome statements as they are built in in the project's outcome and in the indicators outlining the dimensions of the outcome statement.

Activities and Inputs

Activities are actions taken or work performed through which the inputs, such as funds, technical assistance and other types of resources, are mobilized to produce specific outputs of the interventions. They may be expressed in the present tense starting with an active verb, such as 'prepare, design, construct, research, etc.' It is important to consider the human rights principles such as inclusion and non-discrimination when planning activities, to ensure they do not discriminate or exclude some rights-holders.

Inputs are the financial, human and material resources used for implementing the interventions, and other means by which the outputs are delivered.

Results Framework

Results Framework is a matrix that summarizes the three levels of results (outputs, outcome and impact), related indicators, their baselines and target values as well as related assumptions.

Results Framework describes the results' logic as illustrated in the Results Chain. It is the main reference for planning, monitoring, reporting, and evaluating the intervention. The Results Framework used by the MFA includes columns for

- results (outputs, outcome and impacts)
- indicators for each result level;
- baseline data and target values; means of verification; and
- assumptions.

Activities are not presented in the Results Framework. Activities and selected implementation strategies to achieve the intended outcome are only outlined in the Project Document and then elaborated during the inception phase and in annual planning.

Table 1: Results Framework

Results	Indicators	Baseline	Target	Means of verification	Assumptions
Impact Statement = Ultimate benefits for beneficiaries	Measures long-term impacts of the intervention				Assumptions which influence the impact of the project outcome.
Outcome Statement = what change the project intends to accomplish by the end of the project implementation	Indicators concretisise the outcome statement and intended change resulted from the intervention in measurable quantitative and/or qualitative terms.				Assumptions which influence the transformation of the outputs to outcome.

Results	Indicators	Baseline	Target	Means of verification	Assumptions
Outputs = tangible and intangible products and services delivered by the project.	Indicators define the quality and quantity of the deliverables of the intervention.				Assumptions which influence the transformation of activities to outputs.

RBM makes a distinction between assumptions, which are positive conditions, and risks that are consequences of action taken in spite of uncertainty. Both assumptions and risks can be internal or external factors.

The Results Framework is used for the steering and management of the programme. Complemented with successive annual plans and respective targets it also forms the framework for monitoring and reporting. Reporting about the assumptions and risks is also part of results based monitoring and reporting system. The definitions of the elements of the Results Framework are summarized in Table 2.

Table 2: Definitions of the results framework elements

Impact	The long-term result towards which the intervention aims to contribute. Impact indicators may be drawn from the national or sectoral programs. There are also a great number of internationally used indexes that may serve particularly at the higher (outcome/impact) levels. Why do we want to do this project in the first place/what are the long-term changes we aim at?
Outcome	The specific change the project wants to accomplish by its completion.
Output	Outputs are physical and/or tangible goods or services delivered by t he project. They are necessary to achieve the outcome.
Baseline	The situation (value) of an indicator at the time of the launching of the intervention, against which progress can be assessed or comparison made.
Target value	The situation (value) to be achieved at a certain point (e.g. annual target) or at the end of the intervention.
Means of verification	The way to collect information and sources of data used for indicators.
Assumptions	External conditions beyond the control of the project which influence the project performance and achievements, and which need to be realized to achieve results and to move from one result level to another. Assumptions are presented in the Results Framework as positive statements. Monitoring the realization of the assumptions is an essential part of the project management, monitoring and reporting. Preconditions are conditions that must be satisfied before project activities can start up.

In addition to the elements mentioned above, the Results Based Management entails that a careful risk analysis is conducted and that the monitoring of the realization of risks is part of the project management. This is discussed more in depth in the next chapter.

Risk Management

Risks are conditions, events, or actions that will adversely affect or make it impossible to achieve the intended results of the intervention. Assumptions are preconditions for achieving results. However, assumptions can turn out to be false, and when this happens the project can be negatively impacted. For this reason, it is important to actively monitor and manage assumptions to minimise any adverse impacts. We monitor assumptions with the project team, and manage them using the risk management process.

Development cooperation takes place in high risk environments with a wide range of elements beyond the control of a particular intervention. Thus, risk management is an integral part of the programme cycle management.

The various phases of the project cycle focus are not only on identifying risks but also on assessing the likelihood of them to occur and their impacts if realized, as well as taking the necessary actions to reduce the probability of risks and their impacts in advance.

To minimise the likelihood or impact of the risks, risk management includes 1) identification of risks, 2) assessment of the likelihood and impact of risks, and 3) development of risk response measures to be applied to act on the risks that have been identified 4) risk monitoring and reporting.

During the project identification and formulation, project specific risks are identified, assessed and addressed with mitigation measures. An initial risk analysis, consisting of identification and assessment of risks and the development of corresponding risk response should be carried out at the identification phase. In the identification phase it is possible to identify "higher order" risks whereas a thorough, project specific analysis of risks together with response measures and mitigation options is made during the formulation process. Risks relating to the scope and implementation strategies of the programme as well as financial administrative capacity and governance structures of proposed partner organizations should be part of the risk assessment conducted during identification and formulation. Based on the analysis, an appropriate risks level is accepted before proceeding towards implementation phase. This means that the the expected results are balanced against the possible risks and the effectiveness of the risks management measures.

During the project implementation the risk management includes implementation of agreed actions for risk mitigation, as well as continuous monitoring and reassessment of the risks as a part of the standard project supervision. It is important to focus on risks which can be influenced with the available means.

Risk Identification

The general definitions of the risk categories have been given in chapter six of the MFA's guideline "Results Based Management in Finland's Development Cooperation". The three categories are:

Contextual risks are factors over which external actors have limited control of, such as serious constraints to state functions, human rights violations, conflicts, natural disasters, or humanitarian crises. Contextual risks could also impact a broad range of risks at the programmatic and institutional level. General contextual risks are defined in the country strategy. In addition, there might be specific contextual risks that need to be identified. Contextual risks are same for all interventions in a given context.

Programmatic risks include the potential for a development programme to fail to achieve its objectives and results targets; and its potential to cause harm in the external environment, including negative effects on the fulfilment of human rights. There may be many reasons for potential programme failure, including inadequate understanding of the context; management and operational failures; and failures of planning and coordination. For instance, a programmatic risk could be too ambitious design or too high technical complexity of the programme not informed by strong analytical context specific background work and assessment of the capacities of the implementing organizations. The risk of causing harm in the external environment may induce damage to the economy or to the government of the country in question, or to the development of systems and structures which generate inequality, conflicts, human rights violations, exclusion and discrimination.

Institutional risks are also called political risks. They include internal risks from the perspective of the donor or its implementing partners. Institutional risks will often be related to the operational security or reputational risk issues. The institution may refer to the implementing organization or project partners. One concrete institutional risk may be the sexual harassment and related offenses of the programme staff. This risk factor is worth considering in advance so that preventive measures are included in the programme document.

The nature of development cooperation implies the acceptance of certain level of risks. Risk tolerance level is a policy choice approved by the MFA, and one of key aspects of programme steering.

MFA does not approve any corruption in the programmes. Stakeholders suspecting misuse of funds must always report it, for example by filing a report through the internet link https://um.fi/do-you-suspect-misuse-of-development-cooperation-funds-.

Corruption can pose a risk in all the identified risk categories. Even if corruption is prevalent in a country, it does not necessarily affect the outcomes of a specific programme, but country-level risk correlates often with programme-level risk. Four aspects of a programme can affect corruption risks: budget size and structure, the capacity of partners, corruption levels in relevant sectors and institutions, and the service delivery mechanisms. Due to difficulties in programme monitoring, fragile states and insecure areas are high-risk. All relevant types of corruption should be identified and their potential risk assessed. Corruption risks may include: bribery, extortion, favouritism/patronage, embezzlement/misappropriation, conflict of interest, fraud, abuse of power/influence, absenteeism.

Risk should be described clearly to identify the cause and effect of the risk. The wording should avoid ambiguity and make clear what is causing the risk, and what are the consequences caused to the programme.

Risk Assessment

The risks are assessed with regard to the probability of their occurrence (likelihood), and the consequences they are likely to have (impact) to the implementation and performance of the programme. The risks assessment should be based on the current situation of the programme planning taking into account the programmatic choices that already reduce the likelihood and/or impact of the risk to the results.

Likelihood: Describes how probable the risk is (high – very likely to happen, medium – likely to happen, low – may happen) including a description on the basis or reference of the assessment of the likelihood.

Impact: Defines the impact of the risk on the programme implementation, performance and achievements (high – Massive damage or disruption; medium – Serious damage or disruption or low – Insignificant or Minimal damage or disruption to results targets). In the risk matrix during reporting you can also indicate with arrows, where ↑ indicates a raising risk level and ↓ refers to decreasing risk level. Include the description on the basis or reference of the assessment of the impact.

Risk Response

Risk response is a brief presentation of planned measures and their effect on the risk likelihood and impact. Risk response is part of risk management and part of the project cycle. The monitoring and management arrangements must allow the timely response and mitigation of both new and previously identified risks. The nature of development cooperation implies the acceptance of certain level risk. Risk response can include:

Acceptance of the identified risks, based on a balancing assessment of the likelihood or opportunities for achieving important results, and identifying mitigation measures, which collectively form the mitigation strategy for the intervention.

Avoidance of the risks which means not going through with the intervention or some part of it, i.e. reformulating the project to a less risky one.

It is useful to use different anti-corruption tools over time and not rely on one or two standard tools, such as audits. Corruption can easily circumvent standardised systems, so experimental approaches and continuous, incremental changes to the corruption risk management system are preferable. Some sectors and institutions pose greater corruption risks than others. It would, for example, be cost-effective to invest substantially in corruption risk management when working with big school building projects, which are highly prone to corruption. Often effective risk mitigation will require a policy or programme that incorporates performance measures, procurement designs, expenditure controls, reporting options etc.

Risk Matrix

The risks are presented in a risk matrix, which summarizes the likelihood and impact of the risks, as perceived at the time of assessment, as well as the risk response and mitigation measures. The Risk Matrix should include only risks that are directly relevant to the programme implementation. Many risks may be relevant to all three categories but if the response is the same, only list a risk under the category where the impact is the highest.

Table 3: Risk Matrix

Risk factor	Likelihood of Risk Low/ Medium/ High	Background/ justification to the assessment of likelihood	Impact of Risk Low/ Medium/ High	Background/ justification to the assessment of impact	Risk Response
Contextual Risks (add rows)					
Programmatic Risks (add rows)					
Institutional Risks (add rows)					

Monitoring of Risks

The Risk Matrix is updated annually and used by the Supervisory Board and Steering Committee as part of their monitoring function. Risk Management should be included in the agenda of the SB/SC meetings to improve the guidance of the programme.

Links:
MFA 2015 Results Based Management in Finland's Development Cooperation.
https://um.fi/doc/RBM_yleisohje/files/assets/basic-html/page-1.html#

1.2 The Human Rights Based Approach to Development

The Human Rights Based Approach to Development (HRBA) is a commitment to strengthen:

1. the realization of human rights as a development result
2. inclusive, participatory and non-discriminatory development processes, which are transparent and enhance accountability; and
3. enhanced capacities of rights-holders, duty-bearers and, when relevant, other responsible actors related to human rights.

It entails a systematic integration of human rights as means and as an objective in development cooperation.

To operationalize this commitment, a human rights assessment is carried out as part of the situation analysis in the programming or identification phase (see Chapters 2.1. and 2.2.) and deepened during Project formulation (Chapter 2.3). Through the human rights assessment relevant human rights are identified. The action includes mapping out the main challenges and opportunities in the implementation of these rights within the context, the sector and the proposed project. As such, the human rights assessment is a tool for finding entry points for supporting human rights and mitigating possible human rights related risks.

The stakeholder analysis initially done during the identification phase (see Table 8) helps deepen the human rights assessment.

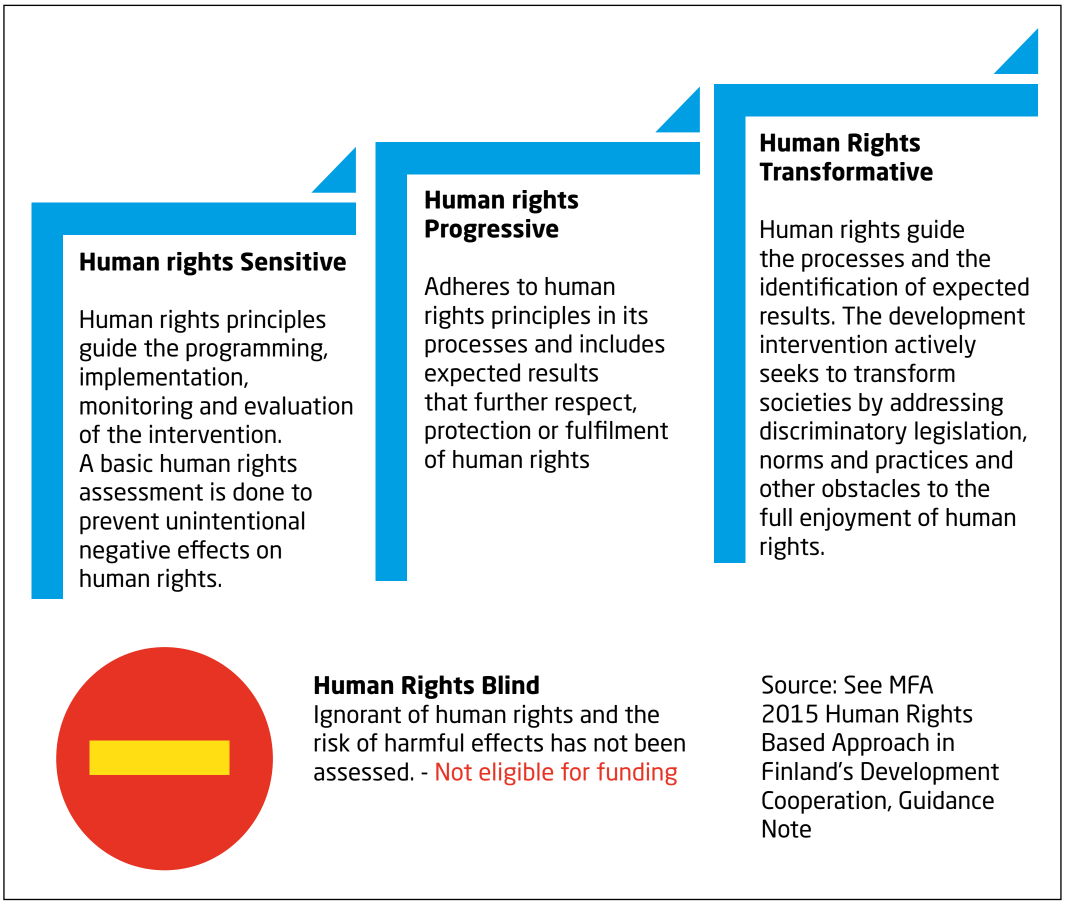
The Human Rights principles are always considered and applied in development cooperation interventions supported by Finland and in all phases of the programme cycle. The degree to which human rights promotion is integrated as expected results can vary according to the level of ambition (see Figure 3).

Human Rights principles

- Universality, Interrelatedness and Indivisibility
- Equality and Non-discrimination
- Participation and Inclusion
- Accountability
- Transparency

MFA does not fund projects which are assessed to be human rights blind or when there is a risk of creating human rights violations. MFA funded projects and programmes can be either human rights sensitive, human rights progressive or human rights transformative. These levels are defined in Figure 3.

Figure 3: Levels of Human Rights Consideration



At all levels, the human rights principles guide the project management and also the processes supported by the intervention with the ambition to promote inclusive, participatory, non-discriminatory and transparent processes and accountability of the stakeholders.

At a sensitive level, the Project is neutral in terms of human rights and its expected results do not necessarily contain human rights related objectives. At progressive or transformative levels the expected results directly relate to furthering specific human rights such as food, education, water and sanitation. Some interventions may only indirectly contribute to a specific human right (e.g. innovation project that creates employment and education opportunities may promote the right to work and the right to education).

Human Rights Assessment

A basic human rights assessment is carried out as part of the context analysis in the planning process of all interventions in order to be sufficiently aware of the human rights situation. The basic human rights assessment is part of the identification phase. It will include at minimum identification of human rights in the proposed programme context, identification of rights holders and duty bearers as part of the stakeholder analysis and ensuring that the human rights principles will be applied during the formulation phase.

The assessment can be further deepened during the formulation phase and used as a reference in work planning, monitoring, MTE and evaluation. This assessment can be done as a desk review by using available human rights analyses and it may also include consultation with rights-holders, duty-bearers and other responsible actors and stakeholders.

At the human rights sensitive level, the objective of the assessment is to avoid unintentional negative effects of the enjoyment of human rights and to ensure that the intervention does not contribute to discriminatory structures, norms and practices. During the formulation phase, the aim is to identify capacity gaps of the rights-holders, duty-bearers and other stakeholders in the relevant sector or result area. Capacity gaps can, for example, be lack of resources or political will, insufficient awareness of rights and duties or unclear mandates.

Box 3: Human Rights Assessment

The following guiding questions can be used as a basis for the assessment:

- Which are the main overall human rights challenges in the context?
- Which human rights are relevant to the sector or result area?
- What are the key human rights concerns of the sector? (Use the human rights principles as a guide).
- What are the key gender inequality and discrimination concerns of the sector?
- Who are the relevant right-holders, duty-bearers and other relevant stakeholders?
- Which are the main groups of people in vulnerable or marginalized situation, relevant for the sector or intervention?
- What are the main capacity gaps of the most relevant stakeholders?

Table 4: Key elements of each HRBA level

<table>
<tr><th colspan="5">Key elements of each HRBA level</th></tr>
<tr><td rowspan="7">Human rights principles guide the programming, implementation, monitoring and evaluation of the intervention at each human rights level

• Universality, Interrelatedness and Indivisibility
• Equality and Non-discrimination
• Participation and Inclusion
• Accountability
• Transparency</td><td></td><td>Human rights sensitive</td><td>Human rights progressive</td><td>Human rights transformative</td></tr>
<tr><td>Identification</td><td colspan="3">Based on the human rights assessment and related consultations, it is possible to decide at what level the intervention has potential to promote human right and address the identified capacity gaps. Depending on this the intervention is categorized at one of the following levels of human rights consideration (human rights sensitive, progressive or transformative)

As a minimum it needs to be ensured that the program and project is designed and implemented in line with the human rights principles and it does not fall under the category of human rights blind. Human rights blind means the intervention is ignorant of human rights and the potential human rights related risks have not been assessed.</td></tr>
<tr><td></td><td>Human rights sensitive</td><td>Human rights progressive</td><td>Human rights transformative</td></tr>
<tr><td>Formulation</td><td>Improvement in fulfilment of human rights commitments or enjoyment is not explicitly part of the expected results. However, the formulation of expected results, strategies and planned activities are well informed by the considerations identified in the HR assessment: The strategy and approach include measures to avoid and mitigate any potential risks related to human rights, and the project/programme includes measures to prevent exclusion of any relevant stakeholders from participating or benefitting from the project.</td><td>Partial integration of human rights as expected results. The needs, concerns and capacity gaps of identified relevant duty-bearers and rights-holders are addressed in selected project activities and expected results (output, outcome and impact level). Disaggregated data is systematically used and analysed in the programming process.</td><td>Human rights promotion is fully integrated in the project output, outcome and impact level results. At this level, the project actively seeks to address the identified root causes and patterns of non-fulfilment of human rights and discrimination. Human rights guide the identification of expected results. It has explicit focus on capacity development and advocacy work. The process of formulating the strategy and expected results is explicitly framed in the rights and obligations.</td></tr>
<tr><td>Implementation</td><td>Mechanisms and work plans in place to ensure the human rights principles are integrated in the implementation.</td><td>Disaggregated data is systematically gathered as part of the implementation and used as an indication to analyse the aspects of equality, inclusion and non-discrimination in the programme.</td><td>The specific needs and rights of persons in a vulnerable or marginalized situations systematically included in expected results, indicators and targets. Baselines and indicators are based on human rights monitoring mechanisms or human rights research.</td></tr>
</table>

		Human rights sensitive	Human rights progressive	Human rights transformative
	Monitoring and Evaluation	Consultative process and use of potential process indicators to ensure the successful implementation of the HR principles. Although systematic use of disaggregated data is not mandatory at this level, it is highly recommended and useful tool.	Data is disaggregated by sex and, when relevant, by other characteristics (age, disability, ethnicity, etc.). The intervention has both outcome and process indicators in place that capture some key elements of the intended level of human rights consideration.	Data is disaggregated by sex and, when relevant, by other characteristics. The intervention has both outcome and process indicators in place that capture the key elements of the intended level of human rights consideration. Monitoring includes consultations with right-holders and human rights organizations or experts.

Further reading and Links

Human Rights Based Approach in Finland's Development Cooperation, Guidance Note
https://um.fi/doc/HRBA_guidancenote2015/files/assets/basic-html/page-1.html#

UN Human Rights Treaties and the Content of Each Right
https://www.ohchr.org/en/professionalinterest/pages/coreinstruments.aspx

UNFPA: A Human Rights Based Approach to Programming: Practical Implementation Manual and Training Materials; Checklist of Questions

http://www.unfpa.org/sites/default/files/jahia-publications/documents/publications/2010/hrba/checklist.pdf

UN Practitioners' Portal on Human Rights Based Approaches to Programming
http://hrbaportal.org/

Integrating Human Rights and Gender Equality in Evaluation – Towards UNEG Guidance
http://www.uneval.org/document/detail/980

1.3 Crosscutting Objectives

Crosscutting objectives means issues that Finnish development policy emphasizes in all kinds of projects and policy decisions. In other words, they are considered in mainstreaming, targeted action and policy dialogue. These issues are

- gender equality,
- non-discrimination, and
- climate sustainability

For further reading see annex "Crosscutting objectives".

Crossutting objectives are issues which are considered as important for reaching results in an acceptable manner. They provide additional 'lenses' for analysing the project throughout the project cycle.

1.4 Development effectiveness

Development effectiveness (earlier called as aid effectiveness) is a set of principles that Finland and other donors are committed to advance in all development cooperation. The principles are last announced in the meeting of the Global Partnership for Effective Development Cooperation in Nairobi in 2016. The principles, and their adaptation to Finnish policy context, can be broadly classified under four headings:

1. Ownership

2. Results orientation

3. Inclusive partnership

4. Mutual accountability and transparency

When applying these principles, Finland can harmonise its development cooperation practices better with the needs of the partner countries and the collaborating national and international agencies. For the application of these principles, read the annex "Development effectiveness principles".

http://effectivecooperation.org/about/principles/

2 Project Cycle

This Chapter focuses on the quality of development cooperation and provides detailed guidance on how the policy framework of Finland (Chapter 1) and the above described RBM (chapter 1.1.) and HRBA principles (chapter 1.2.) are put into practice in programming, formulating and implementing development cooperation.

Project cycle

The Project cycle is illustrated below in Figure 4, and Table 5 summarizes the main phases of the project cycle and their specific deliverables. The structure of this chapter starts with Programming phase followed by the sequence of the Project cycle phases displayed below.

Figure 4: Project Cycle

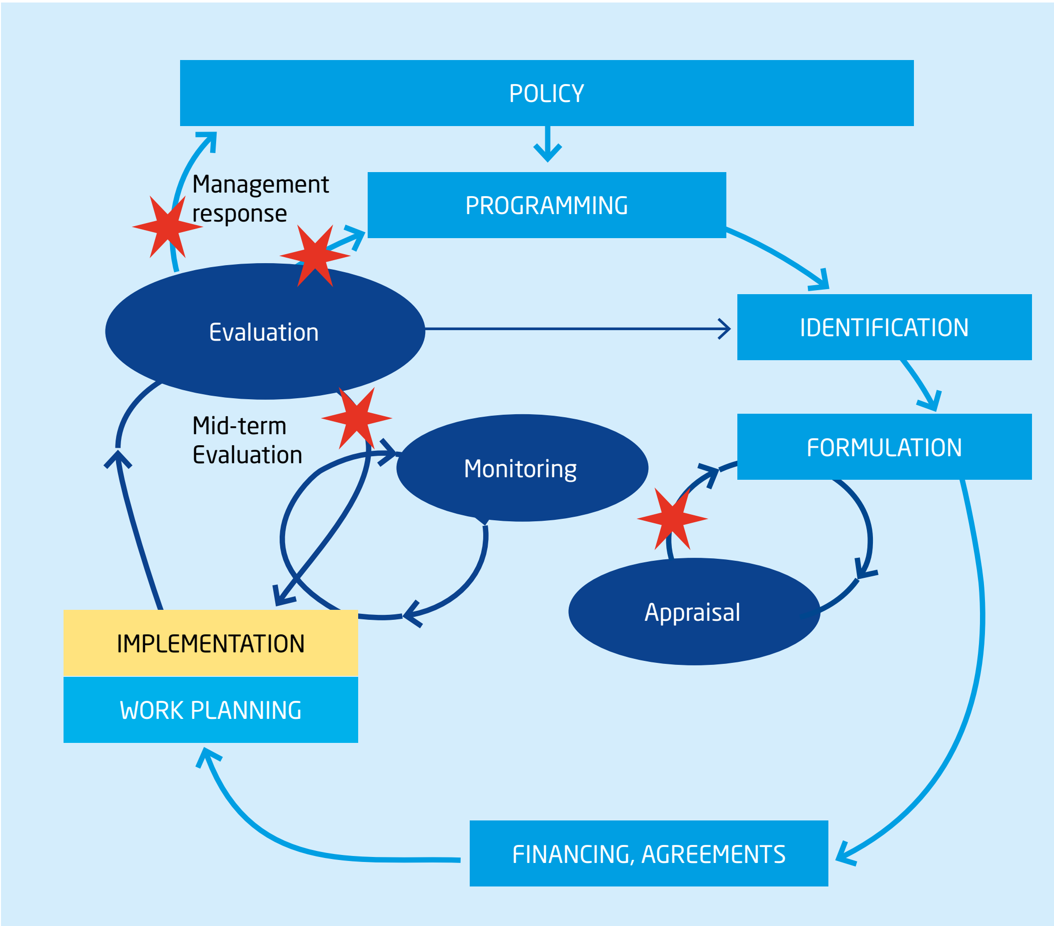


Table 5: Phases of the Project Cycle

Project Cycle Phase	Description	Deliverable
Programming	Preparation of multi-annual, country-level plans for Finnish bilateral development cooperation.	e.g. country programme / country strategy
Identification	Identification of development challenges and analysis of the economic and political context. Carrying out a human rights assessment and stakeholder analysis and identification of expected results. Development of initial programme ideas and alternatives which are in line with partner and MFA development priorities and quality criteria mentioned in Table 6 below.	Concept Note(s) and/or Identification Report.
Formulation	Preparation of a detailed Project Document.	Project Document; Quality Assurance Group opinion; updated Project Document (after appraisal)
Appraisal	Overall assessment of the Project Document (PD) and the planned development intervention.	Appraisal Report
Implementation	**Implementation phase includes three periods: inception, implementation and phasing out.**	
Inception	Setting up project implementation, management and steering; making final amendments/ modifications to the PD; preparation of a detailed work plan.	Inception Report (detailed work plan)
Implementation	Annual planning and delivery of intended activities; project management and steering; monitoring, reporting and audits. A Mid-Term Evaluation (MTE) or Management Review (MR) can be conducted during implementation.	Annual work plans and budgets; Progress reports and financial reports; audits, MTE / MR reports
Phasing out	Handing over of all financial assets and responsibilities and drafting the completion report. Final evaluation may be conducted at the end of the project.	Completion report; handing over documents
Closing	Closing the project is the final action to be made during implementation.	Completion report
Evaluation	Systematic and objective assessments of an ongoing or completed programme. Ex-post evaluations may be carried out after the project has been completed.	Evaluation Report Ex-post Evaluation Report

The duration and importance of each phase of the project cycle will vary for different projects, depending on their scale and scope and on the specific operating modalities under which they are set up. The MFA should ensure that adequate time and resources are committed to supporting the design and effective implementation of relevant and feasible projects.

For an overview of corruption risk management during the different phases of the project cycle, see “Corruption risk management in the project cycle”.

Roles and responsibilities

The desk officer in the regional department is responsible for managing the project cycle. These responsibilities are very wide:

- preparing country and project level plans according to the development policy;
- managing the country and project financing frames according to the established mechanisms of the MFA;
- procuring consultant assistance to many tasks like project identification, formulation, appraisal and support to implementation. This requires the command of Procurement Law and procurement practices;
- preparing the agreements for tasks with the consultants and the partner country;
- directing the project cycle towards efficient results;
- paying the bills, archiving the reports, sharing information to the wider audience.

The desk officer conducts these tasks in collaboration with the Embassy team, ministry advisers, and under the supervision of the director of unit. The conduct of the tasks requires good command of the legal basis of tasks and the administrative orders of the MFA.

Quality criteria

The following table summarizes the key reference points that are used for pursuing quality in the cooperation. Project design, monitoring and evaluation are guided by the OECD/ DAC quality criteria and the European Union’s principles known as 3Cs (coherence, complementarity and coordination). The 3Cs relate to critical factors in the effectiveness of development cooperation of the EU Member States and the European Commission, and are similar to the principles of harmonisation and alignment which feature centrally in undertakings and initiatives, such as the Paris Declaration and the Busan Partnership Agreement.

Table 6: The OECD/DAC Quality Criteria and the three Cs reflecting EU principles

Criteria	Definition
Relevance	The project meets demonstrated and high priority needs and it is consistent with, and supportive of, the Partner Government policies and relevant sector programmes, and the MFA development cooperation policy.
Effectiveness	Effectiveness concerns the extent that the project outcome(s) are achieved.
Efficiency	Efficiency concerns the degree to which the inputs/resources (costs, human resources, etc.) have been converted into activities, in terms of quality, quantity and time, and the quality of outputs achieved.
Impact	Impact is the effect of the project's contribution on the wider long-term results and on the achievement of the overarching policy objectives.
Sustainability	Sustainability refers to likely continuation of the achievements after the period of external support has ended with particular reference to ownership by beneficiaries, policy support/consistency, economic and financial viability, sociocultural aspects, gender equality, appropriate technology, environmental aspects, and institutional and management capacity.
Coherence	Objectives in a particular field may not be undermined or obstructed by actions or activities of Finnish government in that field or in other policy fields.
Complementarity	Complementarity refers to what extent the intervention supports and supplements other policies, strategies or programmes of the Finnish Government, on one hand, and those of the other actors in the country of implementation, on the other.
Coordination	Activities of two or more development partners that are intended to mobilise aid resources or to harmonise their policies, programmes, procedures and practices so as to maximise the development effectiveness of development cooperation resources. With regard to coordination, several levels (international, regional, national, sub-national, sectoral) can be distinguished, as well as differences in content (policies/principles/ priorities, procedures, practices) as in intensity (consultation, cooperation, collaboration).

2.1 Programming

Programming means multi-annual, country-level planning of Finnish bilateral development cooperation. In Finland's partner countries the outcome of the programming process carried out by MFA staff is a **country strategy** for development cooperation. The country strategy is drafted by the country team in embassy and regional department but the content is approved by the ministry leadership.

Country strategy is a medium-term plan, which can be lightly updated on a yearly basis, and more thoroughly revised every four years. Country strategies provide the basis for project level planning, and a link between project level result chains and results of the country strategy. Finland also supports other countries and regions where programming may be limited to the portfolio of existing projects/programmes and identification of sectors for future cooperation.

The strategic direction of the country strategy is guided by both partner country's national development framework, including e.g. poverty reduction strategies, sectoral policies and plans of the partner country, and Finland's development policy. The human rights situation is assessed as background to the country strategy. The purpose of country-level programming is to position the development policy objectives and Finland's support to the partner country development framework and the support given by other donors. More specifically, this implies selecting and focusing on specific development challenges, i.e. policy areas, sectors and themes of cooperation where Finland alone or with other strategic partners can make a difference in the country in question.

Effective aid delivery emerges from a thorough understanding of the context and of the complex processes of change that occur in the partner country. Therefore, during programming, analyses of the current political, governance related and socioeconomic development processes, key gender equality, environmental/sustainable development, conflict and human rights challenges, and of the management capacities (including public financial management) are made. On the basis of the analyses, a strategy (i.e. the response of Finland) is elaborated, taking into consideration the priorities and objectives of the Finnish Government's development policy. To increase effectiveness, Finland concentrates its efforts on a limited number of interventions and on a maximum of three sectors in a country.

The scope of country strategies in terms of cooperation instruments covers Finland's bilateral, government-to-government development cooperation and projects financed by the Institutional Cooperation Instrument (ICI), the Local Cooperation Fund (LCF) and so called multi-bi projects implemented through multilateral organizations. The country strategies also aim to build results linkages and synergies to development work, which is not part of the results based programming in the country strategy, such as civil society organizations and private sector cooperation , and to the tools of trade relations and political relations..

Finland makes use of the joint EU analysis and contributes to the joint programming efforts of the European Union, and tries to synchronize to the maximum extent possible with the EU and partner country programming cycles. Finland also supports the division of labour between EU member states and other donors in the country.

Finland's country strategies for development cooperation take the partner country's national development framework, its objectives and related key indicators as a starting point. The approach of the partner country to the SDG goals is also taken into account. A set of impact, outcome and output level indicators, their baseline and targets, is designed to monitor and evaluate progress. These are analysed using political economy analysis and risk analysis as supportive tools. The methodology through which project level outputs and outcomes and related indicators are utilized for monitoring at the level of the country strategy is described separately in the country strategy guidance. Indicators concerning people should be disaggregated by sex and, when relevant, by other characteristics (e.g. age, disability or ethnicity). These methodological principles should inform project planning processes so that project objectives and indicators can be easily used for country strategy monitoring.

It should, however, be kept in mind that it is neither possible nor necessary to differentiate the attribution of Finland to the development objectives of a partner country. The main responsibility for the achievement of objectives lies with the partner country, with contribution of the development partners as a whole. Nevertheless, it is necessary to be able to assess, on the basis of the country strategies, whether the interventions and performance of Finland are such that they contribute effectively to the achievement of country objectives.

The country teams report on the results to the headquarters once a year on the basis of the results and indicators defined in the Results Framework. The report includes both results of the country on the basis of national development indicators (if and when selected for the Country Strategy Results Framework), as well as progress measured by other indicators (selected from project/programme indicators, or related to other actions by Finland), which are linked to Country Strategy results at output, outcome and impact levels. In addition, an analysis of the processes that influence the achievement of the results, as well as an assessment of risks, are included in the report. The report states the lessons learned and makes recommendations for the future management of the country programme.

The result reports of the country team are fed into the MFA general reporting on the development results. In addition, they are discussed with and responded to by the regional department. Furthermore, they provide a tool for evaluation, knowledge sharing and learning.

Programming allows learning from past experience, innovation and flexibility. Therefore, the validity of the assumptions of the country strategy is assessed in the process of monitoring and changes introduced as per needs.

Programming and the elaboration of country strategies is a team exercise. Embassies lead the process and have the support of the regional departments and advisors. The final decisions regarding country strategies are made at the headquarters.

Finland works also in so called fragile countries. These countries have difficult situation in relation democracy and good governance which calls for special approaches. These are defined in the following document: https://um.fi/documents/35732/48132/suomen_kehityspolitiikka_ja_kehitysyhteisty%C3%B6_hauraissa_valtioissa

2.2. Identification

Purpose of the Identification Phase

The purpose of the identification phase is to assess existing, or generate new project ideas that are based on the priorities and expected results identified in the relevant country strategy or as a part of regional strategies or priorities. Quality assessment criteria (see Table 6) and human rights framework provide a framework of key issues which are assessed during the identification phase, focusing on the relevance, sustainability and likely feasibility of the proposed project idea. Furthermore, relevant sector specific or thematic guidelines issued by the MFA should be observed in the identification process.

On the basis of the background studies, initial risk analysis and stakeholder analysis, the team responsible for identification is able to analyse options and implementation strategies. Consultation with relevant stakeholders (both duty-bearers and rights-holders, including representatives of minorities and other persons in a vulnerable or marginalized situation) is a key to identify discrimination related risks and capacity gaps of relevant stakeholders.

Mapping of available human and financial resources and determining the level of the financing and human resources and efforts that can be expected from each stakeholder is part of the identification phase and helps to outline the expected results of the project as well as the tentative budget.

Based on the result of the identification, the director of the regional unit in the MFA decides, whether the project advances to the formulation phasee.

Roles and Responsibilities

MFA country team (regional department supported by embassy) is responsible for managing the identification process. If the programme concept is preliminary, a comprehensive identification process is required, including procurement of an external expert team. The team may also include staff (usually a sector advisor) from the MFA. Due to the strong interlinkages between the identification phase and the formulation process described in Chapter 2.3. , the project formulation services can be foreseen as an option (i.e. combined task) when procuring expertise for identification phase.

If the project concept is more advanced, and the required background analyses already exist, the identification can also be conducted internally by the MFA advisor in collaboration with the partner country/organization.

In either case, successful identification builds on a dialogue between the partner country and Finland both at the level of competent authorities and the level of technical experts.

Activities

Identification phase should focus on key issues: is there need for the project, how could it fit in the policy, social and administrative context, what kind of financing modality/ instrument would fit the need. The identification phase includes background studies that complement situation analyses made during the programming phase and together with the identified development challenges help justify the need for the project. These studies include,

- Review of national and sector specific and thematic policies,
- Initial human rights assessment (see Chapter 1.2. for details)
- Gender analyses Review of evaluations and lessons learned from other projects/ programmes implemented in the sector or in similar environments Stakeholder analysis (including identification of right-holders, duty-bearers and other relevant parties)
- Identification of risks, such as corruption risks at an aggregate level

During identification there is no need for a detailed corruption risk analysis. Identifying corruption risks at an aggregate level enables the estimation of the proportion of resources that should be allocated for corruption risk management activities. Tools available at this stage of the project cycle include country-level measurements and indices (e.g., the World Bank's Worldwide Governance Indicators), assessments of the public financial management system and overall fiduciary risk environment for government funding (PEFA, FRA), political economy analysis at the country level.

Stakeholder and Beneficiary Analysis

A stakeholder analysis is conducted to identify which authorities, institutions, individuals, groups and civil society organizations have a significant interest in the proposed project/ programme and who are involved in and/or affected by the project. This includes the identification of the rights-holders, duty-bearers and other responsible actors, as well as analysis of their capacity gaps in relation to the fulfilment of the relevant human rights (see Table 7). The stakeholder analysis also entails a gender analysis and the identification of persons that are in a vulnerable or marginalized situation and how they may be affected and engaged in the project.

Table 7: Stakeholders, Beneficiaries, Rights-holders and Duty-bearers

Actor	Definition
Stakeholders	Any individuals, groups of people, institutions or firms that may have a significant interest in the success or failure of a project (either as implementers, facilitators, beneficiaries); Stakeholders are people affected positively or negatively by the project, directly or indirectly.
Beneficiaries	Those who benefit or will be directly affected in whatever way from the implementation of the project. **Direct beneficiaries** The group/entity who will be directly affected by the project. **Final beneficiaries**: Those who benefit from the project in the long term at the level of the sector or sector at large due to the delivery of the outputs or the accomplishment of the project outcomes.
Rights-holder	An individual human being (not only a citizen). Rights-holders can also be groups, as some rights may be enjoyed collectively within the community to which the individual belongs (e.g. minorities, indigenous peoples). Rights-holders are often beneficiaries.
Duty-bearer	States and authorities at different levels with the mandate and responsibility to respect, protect and fulfil the rights. Duty-bearers can also be beneficiaries.
Other responsible actors	Civil society actors, donors, international organizations, service providers, traditional or religious leaders, among others companies and private sector actors.

Source: Human Rights Based Approach in Finland's Development Cooperation, Guidance Note. MFA 2015.

The stakeholder analysis is presented in a Stakeholder Matrix (Table 8) and the analysis is used in the project design to ensure: (i) that all key stakeholders are involved and informed about the intervention and that the project management and coordination arrangements promote stakeholder (rights-holder and duty-bearer) ownership and participation; (ii) that resources are appropriately targeted; and finally, (iii) that potential conflicts of stakeholder interest are recognized and explicitly addressed in the project design. This matrix is reviewed and revised during formulation and in the course of project implementation if feasible.

Table 8: Stakeholder matrix

Stakeholder group	Rights/entitlements, and responsibilities; Capacity gaps	Expected benefits gained from the project	Implications for the project; possible action required
Rights-holders			
add rows			
Duty-bearers			
add rows			
Other responsible actors (stakeholders)			
add rows			

The aim of the stakeholder capacity gap analysis is to identify capacity gaps of the rights-holders, duty-bearers and other stakeholders in the relevant sector or result area. Capacity gaps can include, for example, lack of resources or political will, insufficient awareness of rights and duties or unclear mandates.

It is also possible to assess the stakeholders' influence and importance: influence refers to how powerful a stakeholder is, and importance refers to the stakeholders whose needs and interests coincide with the aim of the project.

Partner Capacity Assessment

During the identification phase, the Identification Team will assess whether the partner organization primarily responsible for project implementation has the necessary systems and capacities (e.g. legal status, financial management systems, internal controls, staffing) to successfully manage the implementation of the programme. This preliminarily assessment is based on analyses of the institutional structures, and capacity and governance of the institution(s). Capacity assessment is particularly important for projects which rely on local partners to manage implementation. Evidence needs to be collected from various sources, e.g. references of the institution's experience in similar kind of projects, evaluations of previous projects or audit reports. Identification team may also apply specific tools developed for institutional capacity assessments.

Initial Formulation of the Project/Programme

During the identification phase, the Identification Team in consultation with key stakeholders will define expected results of the project. If the MFA is already presented with a preliminary Results Chain and Results Framework, this will be assessed and comments given.

Analysis of Options and Implementation Strategies

The identification phase should include an analysis of the options of **aid modalities** (e.g. sector programme, joint financing with other financiers, multi-bi project or bilateral project). This is a key decision directing the formulation work. The decision relates to the development cooperation effectiveness principles.

If data is available, the idenfication phase may include an assessment to what extent the **country systems** could be used to support the successful implementation of the programme and achievement of the intended outcomes. The use of country system is linked to the selection of aid modalities.

There are various degrees of using country systems as shown in the Table 9 below:

Table 9: Degrees of using country systems

1	On plan	Programme and project aid spending is integrated into spending agencies' strategic planning and supporting documentation for policy intentions behind the budget submissions.
2	On budget	External financing, including programme and project financing, and its intended use are reported in the budget documentation.
3	On parliament (or through budget)	External financing is included in the revenue and appropriation approved by the parliament.
4	On treasury	External financing is disbursed into the main revenue funds of government and managed through government's systems.
5	On accounting	External financing is recorded and accounted for in government's accounting system, in line with government's classification system.
6	On audit	External financing is audited by government's auditing system.
7	On report	External financing is included in ex-post reports by government.

Applying degrees 1–3 and 7 is a recommended practice, as it increases transparency and ownership (except for cases where the donor is not able to provide the foreseen funding in full and due to reasons that are not depending on the performance of the partner). For the Parliament of the partner country, to be informed of development funding also enhances their possibility to hold the Government accountable. Applying degrees 4–6 is dependent on the Public Finance Management (PFM) capacities of the partner government, and as such the decision on which levels to apply always depends on the result of the initial risk analysis made during the identification phase Consequently, in the fragile states, the preferred way to channel aid is often to use joint funds, multilateral organizations and non-governmental actors.

There are other ways to ensure ownership and build local capacity, in case the risk and/ or Public Finance Management (PFM) assessment does not warrant full utilization of the country systems. For example, the local procurement management can be delegated to the partner government while the international procurement remains the responsibility of the Technical Assistance, provided that such an arrangement is in line with the financing agreement.

Any identification phase will end up with a debriefing with the MFA, partner government and respective stakeholders to validate the indicative project design (draft Results Chain and Results Framework). Considering that use of parallel systems increases transaction costs and constrains efforts to strengthen national capacity, it is important to be transparent when proposing not to use the country systems.

The identification team will validate the preliminary expected results, aid modality and other important elements of the project design with relevant stakeholders.

Documents Produced during the Identification Phase

The key deliverable of the identification phase is an Identification Report. It includes a description of the project concept.

Identification may also include development of project alternatives and contemplating and comparing various options or analysis of alternative financing modalities. These alternatives are presented in concept notes and in form of alternative result descriptions.

The Identification Report (and possible concept notes) form the basis for the MFA regional unit decision on whether to launch the project formulation or to continue to study other options with the partner country. The outlines for an Identification Report and for a Concept Note are available as Annex.

Identification Report should include:

- Country context, including policy context and human rights assessment and stakeholder analysis.
- Development needs and problems to be addressed => justification for the Project Description of the proposed Project, including indicative results and indicative risk assessment
- Risks Analysis

For details, see "Outline for an Identification report".

Related Outlines:
- *Outline for an Identification Report*
- *Outline for a Concept Note*

2.3 Formulation

After the identification phase, a project formulation takes place. During this phase, the project design will be finalized and a detailed Programme Document (PD) is prepared. The formulation phase is usually a participatory planning process and includes consultations with stakeholders and beneficiaries as well as necessary studies and assessments. The characteristics of the cooperation determine the depth and scope of the consultations.

Purpose of the Formulation Phase

The purpose of the Formulation phase is to produce a Project Document (PD) that can be approved by the financier(s) and the partner. The PD is the guiding document for project implementation phase. It forms the basis for financing decision and for procurement of technical assistance or consultancy and ensures that the project design responds to the needs and rights of the beneficiaries and that it is aligned with the policies and priorities of the partner country/sector and with the Finnish development cooperation policy.

The Project Document is also the project's strategic management tool. It includes all necessary information about the project and its implementation, including context analyses and justifications for the project, the internal logic of the project (Results Chain), and the basis for results based planning, implementation, monitoring and evaluation (Results Framework). The Project Document also includes a risk analysis and a detailed plan for project management, technical assistance and budget. The outline of the Programme/Project Document is available in the toolbox annex.

Roles and Responsibilities

The competent authorities – the MFA and the partner government – are officially responsible for providing the needed resources and directing the project formulation. In MFA, the responsibility is placed in regional unit (supported by embassy) while in partner government the actor is usually relevant ministry. The actual work of formulation is often carried out by an expert team whose services will be procured separately, unless foreseen as an option (i.e. additional task) in the identification phase.

The competent authorities also approve the Project Document.

Key Steps in the Formulation Process

Completing Background Analyses and Stakeholder Consultations

The formulation team may expand upon the document review and background analyses as well as stakeholder consultation initiated during the identification phase, if the depth or scope of the analyses carried out is considered insufficient. Stakeholder consultations (including rights-holders and duty-bearers) create ownership and further the analyses of relevance, expected impact, sustainability and complementarity of the proposed project.

Defining Results, especially Outcome

The project outcome statement is formulated in collaboration with the stakeholders. It describes the change that the project intends to bring about and what the project intends to accomplish by the end of the project implementation. The outcome statement uses expressions such as "improved, increased". In order to demonstrate the change made, the outcome statement is accompanied with measurable outcome indicators with baseline and target values. Usually the impact statement can be drawn from the country or sector policies or strategy documents.

The outcome statement describes the situation at the end of the project implementation.

All interventions funded by Finland should ensure that the intervention has no negative impact on the enjoyment of human rights and that the cross-cutting objectives of gender equality, non-discrimination and climate sustainability are taken into consideration.

There are specific quality criteria related to human rights developed by the human rights monitoring mechanisms and they can be used to inform the formulation phase. For example, public services (e.g. water or education) should be affordable, available, accessible and of certain quality; the methods used (e.g. in teaching or in extension services) should be culturally and socially acceptable; and the accountability of duty-bearers to provide these services should be clear and known to all.

For progressive and transformative levels, human rights related objectives will be integrated in the project plans, targets and M&E systems. At these levels, expected results should be linked to the corresponding human rights: impact may be expressed in terms of rights being respected, protected and fulfilled.

Outcomes may be stated as improvements in the performance of duty-bearers and rights-holders enjoyment of their rights or changes in respective processes (i.e. more inclusive decision making). Outputs could be tangible deliverables that help achieve the said improvements, e.g. in the capacity of duty-bearers (motivation, authority, resources), or in the capacity of rights-holders to claim and enjoy their rights.

Quantitative, qualitative and process indicators are defined to describe how the intended results will be measured. They should capture the level of human rights consideration of the intervention, e.g. be disaggregated by sex and, when relevant, by other groups of population.

At the minimum, the project formulation should identify rights-holders, duty-bearers and other stakeholders and their capacity gaps regarding human rights, and that the monitoring framework includes sex disaggregated indicators.

The formulation team must consider which cross-cutting objectives are relevant to the particular programme and how they will be incorporated in the project outcome, design and budget. All relevant cross-cutting objectives of Finnish development cooperation are addressed and elaborated on in the Project Document, for instance climate sustainability and disaster risk reduction assessment and environmental assessment are systematically integrated sustainability considerations of project. Guidelines and tools for assessing and screening projects for potential risks related to climate change, environmental challenges and natural or man-made disasters are available on the internet.

Outputs

Outputs are physical and/or tangible goods or services delivered by the project. They are usually expressed in quantitative or qualitative terms such as delivered, trained, conducted, or produced. Outputs are necessary to achieve the outcome.

The project may include broad result areas (previously called as components) which together contribute to the project outcome. For instance, an education sector project aiming at increasing girls' participation may focus on improved water and sanitation facilities of schools and on training of teachers. These are necessary outputs for the project to achieve its outcome. They do not need to have their own outcome statements but they can be reflected in the programme outcome statement or in the indicators.

The grouping of all outputs under some 2–5 result makes the results framework more easy to understand. One 'result area' means then simply a group of some 2-3 outputs which are related to each other. Identifying and agreeing on what might be useful/ appropriate result areas to include in the project should be based on the results and strategy analysis, consultation with key stakeholders and consideration of 'what makes sense' from a management perspective. The result areas may be identified on the basis of a number of possible criteria, including: technical focus (i.e. capacity development, training), management responsibilities/organisational structures or geographic location.

Indicators

A set of measurable performance indicators (output, outcome and impact indicators) are defined to monitor the project performance and achievement of the results. These indicators concretize and operationalize the outputs, outcome and impact in measurable terms.

Indicators may be either qualitative or quantitative or process indicators. Quantitative indicators are numerical values such as agricultural productivity (yield/ha) or the number of men and women with university education. Qualitative indicators, in turn, may reflect people's judgements, opinions and attitudes towards a given situation or subject.

One criterion for the selection of an indicator could be its utilization. For instance, while it could be interesting to collect qualitative data on perceptions of the customers on certain service, it is necessary to analyse what the use of this information in strategic decisions, aligning budgets and managing resources by the public sector would be, and whether the partner government has an interest and resources to track this indicator after the project ends. The indicators should not reflect just what the 'donor' (or donor funded technical assistance) would like to know, but what local managers need. Sustainable indicators are based on data that is relevant, reliable and accessible after Project completion.

It is also common to use proxy and process indicators. Proxy indicators are used when results cannot be measured directly, for example when trying to measure the level of governance in a particular country. Proxy indicators may be used if the indicator is not directly observable, the cost of direct measurement is too high, or the result and its indicator are achieved after a long time (as is the case with impact). For instance, measuring the increases in rural incomes would require a household income and expenditure survey. Proxy indicators may be used instead, such as number of tin roofs, or number of bicycles.

Process indicators measure the quality of processes, such as the number of joint missions and joint evaluations, which is connected to the quality criteria of coordination.The source of verification is specified at the same time as the indicators are formulated.

Baseline and Target Values

A baseline and target value is set for each indicator. These values indicate the scope of the project/programme achievements. The Results Framework in the Programme Document should only include final target values for output, outcome and impact indicators. This means for example that the Results Framework will include outcome targets to be achieved by the end of the project. Annual results targets, or milestones, will be set in the work planning process during implementation.

If setting baseline value or target value is difficult, review and reconsider the indicator. Check whether it is SMART (Specific, Measurable, Achievable, Relevant and Time-bound).

In general, it is recommended that baselines are available at the end of the formulation stage; otherwise it will be difficult to set the target values for indicators measuring the achievement of results. In some cases, the baselines and the specific end-of-project targets can be defined during the inception phase. However, it is critical that the formulation phase has identified a reasonable number of relevant, good quality indicators. Indicators about people should be sex-disaggregated and according to the programme they may include other dimensions, such as age, disability, ethnicity or income level.

Some indicators may require specific measurements and additional resources for baseline and follow-up studies. In such cases it is necessary to critically analyse whether it is realistic and efficient to implement those studies over the life of a project, or whether alternative means or indicators could be used to track the achievements of the project.

It is important to set realistic and achievable targets. Equally, it is important to include information in the Project Document on how the target values have been set, that is, whether or not they were based on explicit calculations, drawn from projections, or created using other criteria. This information is essential for the evaluation and in case modifications to the project are needed.

Inputs

Inputs consist of the financial, human and material resources used for implementing the interventions, and other means by which the outputs are delivered. They also include the partner country contributions.

Activities

The Project Document will present the strategic choices made to achieve the intended results. Activities are defined in the Project Document only on a rough level, focusing on key activities and main implementation strategies. The Project Document presents the main milestones to be achieved, but detailed activities and operational budgets are defined in the annual work plans and annual budgets of the project.

Risk Analysis

It is in the formulation phase that the risk analysis is specified. There are three key questions to be asked at this stage: (a) What types of risks affect the programme? (risk identification); (b) How severe are these risks, that is, to what extent do they jeopardise the ability of the programme to achieve its objectives? (risk assessment: likelihood and impact); and (c) Which measures can best mitigate the identified risks and how should they be integrated into programme design and/or policy priorities? (risk mitigation).

> The corruption risks at this stage have to be identified for specific sectors and institutions. Risks relevant to the intervention are appraised and an ex ante cost-benefit estimation of different mitigation tools is done. This typically requires a good consultative process and data on specific corruption patterns and dynamics in the relevant sector(s) and institution(s). The tools need to be firmly integrated into the design, not force-fit onto it after the design has already been agreed. The main tools available at this stage are due diligence, corruption measurements and indices at sector and institution levels, value chain analysis, vulnerability to corruption assessment, ex ante cost-benefit or cost-effectiveness analysis, political economy analysis at sector and institution levels, public expenditure tracking surveys, community monitoring, various types, quantitative service delivery surveys. These tools mainly identify risk or provide partial data for risk assessment. However, when combined with past data on corruption in programmes, they can enable a decision maker to construct reasonable estimates of the likelihood of different types of corruption occurring and the likely impact.

Implementation and management arrangements

The project formulation team will assess and propose a specific governance structure for the project considering the scope of the programme, institutional structure, risk analysis and the host country preferences. The proposed governance structure should be justified by the findings of the capacity assessment carried out in the identification phase.

The governance structure includes the composition and Terms of Reference for Supervisory Board, Steering Committee and Project Management Team. In some cases, the Supervisory Board and Steering Committee can be combined together into one committee which carries out both functions.

The structure and responsibilities of financial management are initially designed during project formulation. Management arrangements to be covered in the PD include the description of the flow of funds from both donor and partner country (i.e. "counterpart financing"). All related grant schemes or other forms of third party financing as well as foreseen use of outsourced services must be described and budgeted for.

Procurement planning and management is an important part of financial management. It is recommended that whenever feasible the local procurement rules and practices are followed. An assessment of the procurement law, the partner organization's existing procurement policy and systems are required and usually conducted during the partner capacity assessment in the identification phase.

Description of the recruitment process and the definition of roles, responsibilities and competency requirement of the international and local project personnel must be included in the PD.

Monitoring Arrangements

Monitoring system and progress reporting should be based on the baseline information, which is presented in the Results Framework. Also monitoring arrangements are described in the Project Document. This includes information on how the data will be collected (e.g. from administrative records, special studies, sample surveys, observation, etc.); who will collect data; when and how regularly data is collected, and who will analyse and report on data, and finally, for what purposes and by whom the data will be used. Also the effectiveness of the risk mitigation measures should be monitored.

The selection of output, outcome and impact indicators and the data collection strategies need to be grounded in the reality of what data systems are in place, what data can be produced, and what capacity exists for data collection and analysis. If systems for data collection do not exist, realistic time frames and resources are needed to allow for the creation of necessary baselines and follow-up data.

Deliverables of the Project Formulation Phase

Situation analysis: validation of the context and situation analysis conducted during identification. Description of changes in the project implementation environment since the identification report and the need for the project.

- Human rights assessment and stakeholder analysis, including identification of duty-bearers, rights-holders and other responsible actors' rights, their duties and their capacity gaps (remember to include relevant marginalized groups and identify their capacity gaps also).
- Analysis of existing inequalities, with particular focus on gender roles and gender discrimination analysed and results incorporated in the project plan.
- Capacity assessment of key institution involved in programme management and implementation.
- Lessons learned and review of ongoing/planned initiatives utilized in defining the project approach, strategies and scope.

Project description

- Programme/project results (outputs, outcome and impact) defined.
- Intended beneficiaries and other stakeholders defined in a disaggregated manner, and participation arrangements described.
- The intervention logic (in a form of Results Chain) and justification for selected strategic choices to achieve the results.
- Results Framework with indicators, baselines, target values, and assumptions is developed
- Implementation approach and strategy as well as indicative/key activities defined.
- A thorough risks assessment.
- Project management structure and implementation arrangements including flow of funds.
- Description of any mechanism providing grants or any other support to beneficiaries.
- Definition of the composition local and international project staff including required competencies.
- An overall results based multi-annual programme budget including counterpart funding, and detailed technical assistance budget.

Implementation and management arrangements

- Coordination and project management structures defined.
- Financial management, fund flow and audit arrangements defined. Description of mechanisms (if any) providing grants or any other support to beneficiaries defined.
- Applicable procurement law defined, with a description of the procurement system and related responsibilities.
- Terms of Reference for Technical Assistance and other expert and management positions defined, including specific competency requirements.
- Monitoring and reporting arrangements defined.
- Evaluation arrangements defined, sufficient resources reserved.

Feasibility & Sustainability

- Sustainability analysis conducted (including economic/financial, environmental, technical and social sustainability).

Sample document templates and outlines

- *Outline for Project Document*
- *Sample template for a Results Framework (PD Annex)*
- *Sample template for a Project Budget (PD Annex)*
- *Checklist and Guidance for Climate Sustainability and Disaster Risk Reduction (DRR) Analysis (Including Rio Markers)*
- *HRBA Checklist*

2.4 Appraisal

Purpose of the Appraisal

The purpose of the appraisal is to provide a quality check and recommendations for the improvement of the project design. The appraisal terms of reference may also comprise finalization of the project document.

The actual form of the appraisal varies according to situation. There are broadly three types of appraisal processes:

1. **Review.** Review is an assessment of selected features of the planned programme. Typically a review may focus on issues like efficiency of the proposed programme, and the feasibility of administrative and financial management arrangements. Review takes the project logic for granted but aims to make the programme more feasible and implementable. Based on the review, the draft Project Document is updated and finalized.

2. **Review workshop.** Review workshop is a participatory assessment which covers the roles and commitments of the various stakeholders. As a result, it is expected that stakeholders have a clear vision on the expected results of the programme and their own roles. Review workshop is a relatively light procedure but it still requires careful management. Based on a review workshop, minor changes can be made in the Project Document.

3. **Ex-ante evaluation.** This is a formal process based on the OECD/DAC evaluation criteria – an overall assessment of the relevance, effectiveness, efficiency, likely impact and potential sustainability of a development intervention prior to a decision on funding. It provides an independent and comprehensive assessment of the proposed programme. Based on an ex-ante evaluation, systematic changes can be made in the Project Document

Roles and Responsibilities

The regional unit of the MFA decides, what is the relevant scope and type of the appraisal process. In all cases, the Terms of Reference are prepared for the Appraisal and discussed with the partner organization(s). This is a precondition for the mutual ownership of the possible changes in the Project Document.

In all types of appraisal, key tasks may be outsourced to the procured experts. However, review and review workshop are also processes which can be implemented by the MFA officers in collaboration with the partner organisation representatives.

If the proposed programme foresees a co-financing agreement, the appraisal is normally done as a joint appraisal, or the management responsibility is delegated to the lead donor.

If the proposed programme is a multi-bi programme (which often do not have an appraisal in the project cycle), the appraisal can be conducted as a review by the MFA country team or advisor(s).

Based on this assessment and joint agreement between the MFA and the partner organization, the programme document may be updated. It is important to define already in the Appraisal ToR, who will be responsible for updating and finalization of the Project Document.

The MFA evaluation manual (https://um.fi/evaluation-of-development-cooperation) describes a high quality evaluation process. The evaluation manual can also be used to guide an ex-ante evaluation process.

Sample document templates and outlines
- *Outline for Appraisal Report*

2.5 Financing and Agreements

The project financing decision is made by the MFA and the partner country authorities separately for their financial contribution for the project. The signatories are also called 'competent authorities'.

Various types of agreements

Bilateral agreement with a partner country. Finland has negotiated a framework agreement with its key partner countries. The framework agreement defines the conditions for the development co-operation between two countries.

A **bilateral project agreement** deals with a specific project and has a fixed financial ceiling. It sets out the responsibilities of the parties concerning the project. The project document and the budget shall be annexed to the bilateral project agreement. Bilateral project agreements are made between the governments of Finland and the partner country. If a project will be conducted in a country with which Finland does not have a framework agreement, the status of consulting companies, their personnel and imported commodities needs to be covered by the bilateral project agreement. This, however, may require lengthy negotiations.

As an example, one development cooperation programme may be regulated by the following different agreements and contracts:
- Bilateral programme agreement with the partner country, with reference to the framework agreement with the partner country in question;
- Joint Financial Agreement (JFA) with other donors supporting the same programme and partner country;
- Long-term consultancy contract on technical assistance to the partner country;
- Short-term consultancy contracts on appraisal, evaluation, etc.

Donor cooperation arrangements: Joint Financing Agreement, Memorandum of Understanding or Agreement on Delegated Cooperation. The partner country and the donors supporting the same project agree on common procedures.

Delegated Cooperation is another tool for joint financing. One donor may delegate the management of its development cooperation funds and policy dialogue to another donor. A Delegated Cooperation Arrangement (DCA) or MOU is then negotiated between the donors participating in the delegated cooperation arrangement. The donor delegating the management of its funds is called a 'silent donor'. The donor receiving funds to manage is usually called the 'lead donor'.

Consultancy contract. On many occasions the partner country implements the projects with support from a consultant company. The Ministry selects the consultancy company through public procurement. The relationship between the Ministry and the consultancy company is regulated in a consultancy contract. The Ministry has several model consultancy contracts to be used in different kinds of assignments. The MFA lawyers can provide advise on the formulation of the contracts. Often the other contracting partner checks details with their lawyers and therefore, contracting may be a lengthy process.

2.6 Implementation

The implementation of the project is usually composed of an inception period, an implementation period and a phase-out period. Key tasks associated with each of these periods are summarized in Figure 5 below.

Figure 5: Implementation Periods and main activities

Inception

- Contracting arrangements
- Mobilise resources
- Establish a management and decision making system (project organization and steering)
- Kick-of meetings / workshops and inception workshop(s)
- Review and revise project plan, if necessary
- Establish an operational monitoring and evaluation system.
- Establish baselines to all indicators.
- Develop a Project Implementation Manual (PIM)
- SB meeting

Implementation

- Rolling system of annual planning and monitoring/reporting, with semi-annual or quarterly updates
- Procure and deploy resources, including personnel
- Implement activities
- Monitor and review progress, reporting
- Risk management
- Revise operational plans
- SB and SC meetings
- Annual audits
- Evaluation as planned

Phase out

- Prepare exit/ sustainability strategy
- Hand over all responsibilities to local partners
- Ensure that maintenance plans are in place
- Ensure relevant skills are effectively transferred
- Help ensure recurrent cost requirements are secured
- Evaluation as planned

The Project Document is an overall framework and the backbone for implementation. It describes the expected results, the strategy, organizational arrangements and resource frameworks, as well as critical assumptions to reach these aims. Annual plans and budgets provide detailed and operative guidance how project is implemented and how project funds are used for agreed activities. Project implementation is based on partner country leadership, partnership and mutual accountability.

The project management should ensure compliance with the HRBA principles and cross-cutting objectives as well as with quality assurance, risk management and supervisory functions during the entire implementation, monitoring and evaluation process of the programme.

During implementation there are four key questions to be made regarding corruption risks:

- Have corruption risks changed over time?
- How well are project funds protected against corruption?
- Are corruption risk mitigation measures working, and would other measures work better?
- Are corruption risk management measures a good return on investment?

At this stage, one still monitors corruption risks generally in the relevant sector to understand whether risk profiles change over time, but the main focus is on corruption risks in own systems and those of implementing partners.

The main tools available are: internal corruption risk management/quality assurance systems (risk matrices), with periodic reporting on corruption risks and risk mitigation results, internal reporting and whistle-blowing mechanisms and external grievance and reporting mechanisms, audits, investigations, real-time/formative/midterm evaluations, spot checks, ex post cost-benefit or cost-effectiveness analysis, public expenditure tracking surveys and quantitative service delivery surveys, community monitoring.

2.6.1. Project Management and Decision Making

Main task: the project management and decision making need to ensure that the programme reaches the impact and outcome that it is planned for. If the programme is not on track, corrective measures need to be made.

Competent authorities are responsible for the steering of the programme and approval of annual budgets, work plans and any major changes required during the programme implementation. While both countries will officially nominate their representatives for the Supervisory Board and Steering Committee, it is important to ensure that the decision making processes are inclusive and take into account the opinions of the rights-holders. It is similarly important to advocate for a gender balance in decision making bodies.

There also needs to be caution on potential conflicts of interests regarding decision making. For instance, project beneficiaries or potential service providers cannot make decisions regarding their future funding allocations and/or potential provision of the services to the programme. Programme Director cannot be in any position that could create a conflict of interest, e.g. the Chair of the Supervisory Board or Steering Committee.

Supervisory Board (SB)

The highest decision making body of the project is Supervisory Board (SB). The annual meeting of a Supervisory Board is a decision making forum where the partner and the donor(s) discuss progress, results, fulfilment of agreed obligations as well as work plans and budgets for the coming period.

The members of the Supervisory Board represent the competent authorities - the partner country representative and the MFA (can be from the Embassy but only with the MFA regional unit mandate). Other partner country representatives are usually high-ranking officers from the central ministry or government agency implementing the project.

The members of the Supervisory Board must be legal representatives of their countries entitled to make agreements and commitments in relation to the programme implementation and use of resources. This is why the Chairperson is usually a permanent secretary (or other legally authorised decision maker) from the partner country, and the Finnish representative has a similar mandate in relation to the programme. The Finnish representative needs to make firm commitments to how Finnish funds can or cannot be used. He/she needs to ensure that the programme supports the aims of the Finnish development policy, country strategy and other guiding documents. He/she must be accountable for the decisions made on behalf of the MFA.

Steering Committee (SC)

The project Steering Committee (SC) is responsible for the overall steering of the project implementation, including systematic monitoring of risks and mitigation procedures. The members of the SC are representatives of the organizations directly involved or influenced by project implementation, including the MFA represented by the Embassy. SC may also include representatives of the beneficiaries and other agencies. Members of the SC must have a decision making mandate in their own organization.

It is important that the recommendations of the evaluations, reviews and audits are discussed in the SB or SC and corrective tasks with timeline are decided upon.

Implementing Agency and Project Management Team (PMT)

An implementing Agency is defined in the bilateral project agreement as the organization with overall responsibility to carry out project activities, monitor the programme implementation and use funds available to the programme.

The implementing agency may establish a Project Implementation Unit (PIU, also term Project Management Unit, PMU) to run the project as defined in the Project Document. The PIU (or the Project itself) is not an independent legal entity, but it operates with a written mandate under the supervision of the management of the implementing agency. The PIU may therefore make agreements and commitments on behalf of the Implementing Agency, and therefore it should be an integrated part of the implementing agency.

A consulting company may be selected by the competent authorities to support the implementation of the project. The role of the consultancy company is defined in the bilateral agreement, including the Project Document. The services of the consulting company are further defined in the contract signed between the MFA and the company, including Home Office Coordination functions in quality assurance and in supporting Results based management and implementation.

Any major alteration to the Project Document must be approved by competent authorities.

In some cases, the competent authorities may agree to outsource project implementation to a private service provider, e.g. an international consulting company. International procurement will define the services provided by the selected international consulting company. However, the use of public authority cannot be delegated to service providers and therefore careful consideration is required.

Individuals engaged in project implementation may form a Project Management Team (PMT) which is responsible for the day-to-day management of the project. The PMT usually includes local project management staff seconded from the implementing agency and international project management staff.

Project implementation should be flexible to adjust to dynamic changes in the project environment. For instance, the Project Document may require justified revision, especially by the end of the project's inception phase or after a management review. In this case, the PMT may make proposals concerning the revision of the Project Document and submit them for endorsement to STC and SB. Also during the implementation significant revisions from the Project Document and/or from Annual Plans must be approved by competent authorities.

Table 10: Mandate and responsibilities of Project Management bodies

Management body, its mandate and tasks	Members and meeting frequency
Supervisory Board (SB): Policy Guidance and highest decision making body of the project; risk management • Makes strategic decisions on project scope and major changes in the project design and financing, including required changes in results, targets, budget or management arrangements. • Approves the annual progress and financial reports; annual work and procurement plans, plans and methods of outsourcing and budgets. • Approves annual audit and review/evaluation reports. • Approves and is responsible for the risk assessment and response. • Approves the Project Implementation Manual (PIM)	Nominated representatives of the competent authorities entitled to make decisions and commitments in relation to the programme and use of resources (e.g. high level officers from central ministry or government agency implementing the project). MFA Representative can be from the Embassy with MFA mandate. Meets according to need; at least annually. Urgent approvals can be processed by official correspondence between participants.
Steering Committee (SC): Overall steering of the project implementation, including systematic monitoring of risks and mitigation procedures. • Reviews project progress and performance on a periodic basis (i.e. biannually or annually); • Reviews quarterly, or biannual financial and progress reports. • Approves the annual work and procurement plans, plans and methods of outsourcing and budgets before submitting to the SB. • SC approves significant procurements and may approve minor budget changes as agreed in the Project Implementation Manual. • Reviews and approves risk assessment and response prepared by the PMT; Follows up the emergence and realization of risks and assumptions, proposes mitigation measures for the PMT and reports to the SB. • May have the mandate to approve the Terms of Reference and budgets for short-term international and national consultants and service provision contracts, and decide on replacements for TA personnel. • Reviews and approves evaluation reports and annual audit reports. • Monitors the project performance and compliance of the implementation with the HRBA and cross-cutting objectives; monitoring field visits	Representatives (directors) of the organizations directly involved or influenced by project implementation, and the MFA represented by the Embassy. SC may also include representatives of the beneficiaries and other agencies, and it can serve as a platform for coordination. Members for the SC must have a decision making mandate in their own organization. Meets quarterly or biannually.

Management body, its mandate and tasks	Members and meeting frequency
Project Management Team (PMT): Day-to-day management of the project, monitoring and reporting • Prepares the annual plans and budgets; progress reports and financial reports; annual budget revisions, biannual/quarterly financial reports to the SC for review and approval. • Ensures organization of annual audits • Updates the risk assessment, implements mitigation measures under its mandate and reports about realization of risks and mitigation measures. • May have an authority to accept variations in budget lines under established threshold (thresholds to be defined in the PIM and approved by the SB). • Approves minor decisions and procurement as defined in the PIM.	PMT usually consists of the national project coordinator and Chief Technical Advisor. Other experts may be incorporated (e.g. Financial Management Expert). Meets when needed.

Guidelines, instructions and document outlines

- *Instructions for Utilizing Project Motor Vehicles (pdf-file, MFA 31.10.2006)*
- *Outline for Terms of Reference for Supervisory Board, Steering Committee and Project Management Team*

2.6.2. Inception

Often, an inception phase starts the implementation. It allows the Project Management Team to organize itself, set up the project, initiate activities, launch baseline studies and test the functionality of the Project Document as a management instrument. At the end of the Inception Phase, the Team prepares an inception report for the Steering Committee and, when necessary, proposes minor changes to the Project Document. The changes should not include key results, responsibilities and project logic. The task of the consultant providing support should not be changed. The changes to the PD need to be approved by the Supervisory Board.

Purpose of the Inception Phase

The purpose of the inception phase is to agree and put into practice all operational and practical details with respect to project results, management and working approaches. Inception phase is also a stage to ensure that HRBA principles and cross-cutting objectives are taken into account in the programme implementation and management.

The duration of the inception phase is determined during project formulation. Its duration is typically 4–8 months. The duration should reflect the fact that operationalizing of a project will be different, e.g. from country to country, and depending on whether a new programme or a new phase of an ongoing programme is started.

Roles and Responsibilities

The Project Management Team (PMT) prepares a brief inception report, Programme Implementation Manual and the first detailed annual plan and budget. These are approved by the competent authorities, preferably in the SB meeting.

Key Activities and Achievements of the Inception Phase

An important activity of the inception phase is a kick-off meeting (Inception Workshop) which will be held to assure that all parties share the same view of the programme, and to clarify the roles and responsibilities. A template agenda for the Kick-off meeting and the PIM is annexed in the toolbox.

One of the results of the inception period should be strengthened ownership of project by the local implementing agency. This means that the supporting consultant company should understand its role and take steps to emphasise its supportive, more technical role.

Project Implementation Manual (PIM) is developed (or updated) by the Project Management Team and approved by the Supervisory Board. The PIM is an operational manual for project implementation, including e.g. description of the monitoring system, definition of a decision making structure and procurement policy and administrative rules and regulations for the project (based on the PD).

Planning and reporting arrangements are decided during the inception phase and described in the PIM (commonly PDs already include an outline for reporting arrangements), including decision on the reporting period (i.e. whether Finnish or partner country fiscal year will be followed), and the frequency of reporting (i.e. whether a biannual or quarterly cycle will be followed). The planning and reporting processes and schedules must be aligned with the partner's processes, schedules and procedures. The quarterly/semi-annual/annual reports need to follow the results based structure and use the Results Frameworks as a reference.

Also the evaluation plan incorporated in the PD should be reviewed during the inception phase.

The inception period may require substantial support from Short-Term Consultants and Home Office. These support missions should be specified in the PD and included in the TA services procured for the programme implementation. If programme staff is recruited locally, the PMT must ensure an open and competitive recruitment process for all staff financed by Finnish contribution. Host government may consider seconding local staff and including these costs to local counterpart costs. It is recommended that local recruitments are carried out during the inception phase. SC members, incl. Embassy, may take part in the recruitment process, if needed.

By the end of the inception phase, it is expected that any uncertainties or open issues of the Project Document have been clarified and the Project Document modified/amended updated (if needed) and approved by competent authorities. Clear responsibilities, roles and accountability mechanisms for the various stakeholders are put in place. Detailed Work plan and budget for the first year of implementation are prepared.

It is often appropriate to arrange a Supervisory Board meeting at the end of or soon after the inception phase to endorse the changes proposed to the Project Document, to clarify the roles and responsibilities of the implementing partner(s), to agree on the contributions of each stakeholder for the first year (based on work plans and programme budgets), and to specify the reporting and performance monitoring requirements and responsibilities with the institutions involved. Discussions and decisions made during the meetings are recorded in the Agreed Minutes or in other joint documents (e.g. aide-memoires).

Situation at the end of the Inception Phase

- Project management and decision making structures have been established, approved, and operationalized (based on the ToRs of SB, SC and PMT in the PD), roles and responsibilities are defined.
- Financial planning, management and reporting systems are in place.
- Provisions on procurement are incorporated in the Project Implementation Manual (PIM).
- Monitoring systems and arrangements are finalized. Evaluation plan reviewed.
- Baseline data and targets for all results are established.
- Risk analysis and risk management have been revised and finalized.
- Information about the project disseminated. A dissemination and communication plan has been developed and incorporated in the PIM.
- Administrative rules and regulation are agreed, e.g. per diem rules, and included in the PIM.
- Kick-off meeting has been held and/or an Inception Workshop in which representatives of the intended beneficiaries and all other key stakeholders (e.g. the partner country's central and local governments), and the MFA/other donor representatives are organized.
- Practical arrangements related to office premises, equipment and vehicles are made.
- Home office functions and support are defined.
- Administrative rules and regulation are agreed, e.g. per diem.
- First year annual plan and budget (including a procurement plan) are approved by SB.

Sample document templates and outlines:
- *Inception Phase Checklist*
- *Sample for the Project Implementation Manual (PIM)*
- *Sample Agenda for the Kick-off Meeting / Launching Workshop*
- *Outline for Inception Report*

2.6.3 Implementing the project activities

There are many ways to approach the implementation as there are different roles and responsibilities in various projects. Often PMT and project staff support the implemention of the project activities. However, sometimes the partner government staff or an NGO has a key role in the management and coordination of the implementation tasks.

It is important to sequence activities logically so that build momentum towards the accomplishment of the project outputs and outcome.

Project implementation means a **temporary support** to the agency which is usually a partner government unit. Support is often provided also to other related government agencies, non-government agencies and private sector. The support should not be spread too thinly so that it can make an impact.

The partner country agency needs to have an ownership on the project implementation. The project activities are planned under the direction of the agency taking into consideration, if possible, the views of both the management and the staff.

Project implementation includes typically a lot of capacity building. The project implementers needs to secure that capacity building does not entail only the training of the current staff on its current tasks but also documents the good administrative practices and develops the organizational structures in question. Capacity building is a holistic process which aims towards persistent changes in the operational and management practices.

Project implementation may include procurement of vehicles, tools and equipment. The items should be based on appropriate technology so that they can be fully utilized and maintained.

Project implementation includes a lot of networking, communication and information dissemination. Complex configurations and decision making processed may cause friction. Building trust is a precondition for a successful project. PMT should be able to feel the pulse of the project and enter into problem solving mode before project problems escalate. If the problems are more serious, the SC and SB need to be alerted and corrective measures proposed.

2.6.4. Monitoring

Monitoring is needed to ensure that the programme reaches its intended results.

Monitoring is the systematic and continuous collection, analysis and use of information to support project management and decision making. Programme implementing staff is primarily responsible for the collection and compilation of the monitoring data. Data is often presented in annual and semi-annual reports. Monitoring information is used by the Embassy to report further to the MFA and programme management (SB, SC, PMT) to follow up the progress and intervene if problems are identified. Furthermore, monitoring data is an important source for evaluations. Monitoring makes project implementation a continuous learning process whereby experiences gained are reviewed and fed back into ongoing planning.

Monitoring is a management responsibility conducted by the SB and SC. Usually, monitoring is undertaken by the Project Management Team (implementing organization) and staff using a system of partner institution or a system established for the programme during its planning and inception phase. Monitoring takes place e.g. in the form of formal and informal data collection, meetings and field visits.

During implementation, monitoring is done: firstly, to track that planned inputs have been provided; secondly, to track that planned activities have taken place and that intended outputs are delivered; and thirdly, to track that the intended outcomes have been achieved as specified in the Results Framework. Monitoring provides also information about the realization of the assumptions and risks and the effectiveness of risk mitigation measures during project implementation. Results Framework and its indicators are the main reference for the M&E Plan and system. Monitoring also includes assessing the progress against the quality criteria of relevance, impact, effectiveness, efficiency and complementarity throughout the project implementation and report about them accordingly.

In best cases the key elements of the monitoring system is based on the on indicators and data collection methods of the partner country, and strengthens the local capacities.

The M&E Plan and project monitoring arrangements will be established during the formulation phase and finalized during the inception phase. These include establishing indicators, baseline values and end-of-project targets for all indicators, agreeing roles and responsibilities for data collection and analysis to ensure assessment that desired results are being achieved according to the Project Document, Results Framework, and annual plans and budgets. The project plan should have flexibility to conduct management reviews and different types of audits when needed.

Monitoring risks, updating risk matrix and compliance with HRBA principles and cross-cutting objectives is an integral part of monitoring functions. It is incorporated into the M&E plan of the project. It is essential to establish a sound monitoring system and develop tools to compile data and analyse and provide a basis for monitoring of progress and achievement of results and indicators during project lifetime.

Reviews

Review is an additional (and often ad hoc) tool to deepen monitoring and it often tries to solve a specific problem.

Reviews are important tools to assess that the programme is proceeding according to the plan. Reviews focus on operational aspects of a programme, its progress and results compared to the plans. Reviews can be thematic reviews or Management Reviews (MRs).

Reviews normally examine the programme's efficiency and the extent to which the programme develops in relation to the planned outputs and outcome (effectiveness). It may also define potential areas for improvements. When necessary, reviews may also examine relevance, sustainability and lessons learned. Reviews may update risk assessments done.

Management Reviews can also be a management action for problem solving used as a fast-track measure to gain information on a certain aspect of the programme. They provide an opportunity to further analyse information collected through monitoring, address problems faced during implementation, reflect on the implications, and discuss appropriate management action in order to support effective implementation. A review does not cover comprehensively the whole evaluation agenda or evaluation criteria but may focus on selected issues.

All reviews are governed by the Terms of Reference (ToR), approved by the responsible partners. Decisions regarding the scope of reviews and whether reviews shall be external, internal or joint efforts by the partner, MFA (and other donors), are taken by the MFA and the partner (and, in the case of joint programmes, other donors). The issues a review is expected to address will guide the decisions on team composition. The team may include external experts but also representatives of the MFA country team and partner institutions depending on the focus and expertise required.

The need for regular reviews should be addressed during project formulation and be assessed during the appraisal phase. Reviews may also be done ad hoc when the MFA (Embassy) and/or the partner find it important to assess whether the progress is in accordance with the plan, or when a review has a strategic interest.

Other Monitoring Activities

Programmes may also apply innovative approaches for assessing progress in implementation by combining elements of monitoring, reviews, evaluation, and research. Such approaches include facilitated self-evaluation, formative research, real time evaluation, action research, etc. Innovative monitoring arrangements can be developed in order to find ways to listen to and enpower the beneficiaries of the project.

Field visits by the implementing agency, PMT, Embassy and MFA are an important part of the follow-up of the programme. The purpose of the field visits is to observe that the programme develops according to plans and reports. During field visits, it is particularly important to observe whether risk factors identified in the programme have occurred and whether proper response actions have been taken. Field visits also give an opportunity to track the realization of gender issues and other cross-cutting objectives.

2.6.5. Operational Planning

Annual planning should be based on the Results Framework of the programme in order to guarantee that, in the end, the longer term results (impact and outcome) are reached.

The planning, monitoring and reporting are aligned with the partner country regulations, budgeting, financial management and monitoring systems to the extent possible. If this is not feasible, the planning, monitoring and reporting systems, tools and templates proposed in this manual may be used with relevant modifications.

Operational planning (annual planning) means setting annual targets and results with measurable indicators and their targets, activities and resource allocations (budgets). Details of financial planning and management are discussed in chapter 2.6.6.

Local planning and reporting templates may be used provided that they cater to the minimum information requirements outlined in the templates of this manual. The work plan and budget should have breakdowns based on the project's results, i.e. by project outputs. Quarterly/semi-annual plans can be developed using the annual plan template and activity planning sheet. Annual planning and reporting cycles are approved by the SB during the inception phase (based on the arrangements included in the PD).

Project implementation is directed through annual work plan and budget and related results-based reporting. A separate procurement plan may be developed and updated regularly.

Depending on the project, work plans and budgets are updated semi-annually or quarterly. It is essential to ensure that the cross-cutting objectives and gender are adequately incorporated and resourced in the plans.

Sample document templates and outlines:

- *Outline for Project Annual Work Plan with a planning matrix for annual targets*

2.6.6. Financial Planning and Management

Financial planning goes hand in hand with the planning of activities and covers funding by all stakeholders. The financial management system of the project consists of budgeting, accounting, financial reporting and auditing.

According to the commitments made in Paris Declaration and Busan Partnership Agreement, the partner country systems will be used whenever possible without compromising good governance principles.

As agreed between competent authorities, the MFA may provide funds to a partner country institution or other organization to implement the programme with or without the support of technical assistance team. The Technical Assistance team may also have a broad responsibility for financial management and management of contracts with local partners and stakeholders.

In Financial Management, both the local financial regulations and international standards for public sector accounting are followed to the extent possible. Bilateral agreement, Project Document, and Project Implementation Manual provide detailed instructions on which regulations the project implementation must follow. If there are no specific provisions in the bilateral agreement and other guiding documents, Finnish regulations, such as procurement law and Finnish government travelling regulation, are applied.

In joint financing modalities and sector programmes, the financial management and accounting is agreed upon by all parties and may vary according to the programme modality and contributors to the programme.

Annual Budgets and Financial Reports

Budgeting with the partner country follows local regulations when funds enter into official budgets of the national agencies and institutions.

Annual budget planning cycle follows the partner's budget cycle, and programme budgeting process is aligned with local budget process to the extent possible. Similarly, annual budget structure may follow the local public sector chart of accounts. For example, the annual budget may be prepared in local currency. However, the budget presentation should include EUR estimates for main budget lines and the annual budget should be in line with financial commitments of both parties. The Finnish contribution cannot exceed the maximum contribution stipulated in the bilateral agreement.

Each periodic report shall include information of the periodic and cumulative expenditure by financier. The budget execution may be described separately for the Project funds and for the TA contract. The later will include a short report on deployment of TA described e.g. in person-months / days and a percentage of the value of the TA contract invoiced. The report should indicate whether it is based on audited or unaudited data. The financial reporting includes a narrative part that is included in the Project progress report (see Outline for annual/semiannual/quarterly report, Chapter 3) as well as an Annex that reports on expenditure against the budget and user respective format and indicating the contributions and expenditure by source.

Project Accounts

Projects and programmes may require separate programme accounts, and a professional accounting system is required for all programme partners that receive funding from the programme. The Project Implementation Manual together with the Terms of Reference for Project personnel defines the responsibilities for project accounts and accounting. For example the requirement for at least two signatures for each payment or cash withdrawal functions as an efficient anti-corruption measure.

A project/programme may have an account in partner country currency. In some cases, it is justified to have accounts in foreign currency e.g. to minimize the risk of exchange rate losses. However, caution is required to ensure efficient and transparent use of interest gains and exchange rate gains. Project agreements and subcontract agreements should incorporate clear provisions for the basis and calculation of exchange rate gains or losses and require that the audit trail is always ensured.

In sector programmes and joint financing modalities separate accounting for Finnish contribution may not be required, if the financial management is carried out in an adequate manner by the partner organization.

Procurement

Applicable procurement rules and responsibilities are normally defined in the Programme Document and bilateral agreement. However, if not explicitly determined in the project agreements with partner and the consultant, the Finnish procurement law will apply. Also third party procurement rules, such as those of the World Bank may be used, especially in co-funded interventions. Detailed instructions on procurement practices and rules are defined in the Project Implementation Manual (PIM).

It is recommended that whenever feasible the local procurement rules and practices are followed. An assessment of the procurement law, the partner organization's existing procurement policy and systems are required and usually conducted during partner capacity assessment. The Technical Assistance team should ensure the quality assurance for procurement processes during implementation.

Procurement is always based on the Procurement Plan and budgets are approved by the competent authorities. The project management is responsible for ensuring that inventory of the assets that belong to the project is always up-to-date.

Audits

The programme management is responsible for ensuring that all project funds are subject to an annual audit. It must ensure that grants awarded to third parties or other service providers are subject to audit and specific provisions are included in third party agreements. The annual audit commissioned by the Project complements any audits stipulated in the local regulation, e.g. the annual audit of the National Audit Office of recipient country, or internal audit. External annual audits should be carried out by a local auditing body that meets international standards. If such a local company cannot be identified, a regional auditor, or one from the donor country, may perform the audit.

Both the Ministry for Foreign Affairs of Finland and the partner government are entitled to carry out additional audits and monitoring missions. The Performance Audit analyses the cost structures, efficiency and value for money of the programme. Similarly, the Performance Audit provides information on the reliability of the financial administration structure as well as on financial reporting of the programme. Focus is also directed on the management structures as well as procurement and monitoring procedures. Special Audits can be used in more focused assignments intended to obtain information on a certain problem, issue or uncertainty. The National Audit Office of Finland also has the mandate to audit the use of Finnish government funds.

Audit is not just a tool for control but also a learning tool on financial management and efficiency. The findings and recommendations of the Audit Report should be discussed at the Steering Committee and Supervisory Board together with the management response drafted by the PMT, including possible corrective measures.

If an audit reveals risks for corrupt practices or gives rise to strong grounds to suspect it, action should be taken immediately.

Sample document templates and outlines:

- *Budget template*
- *Sample template for a periodic financial report (same structure for quarterly/semi-annual/annual)*

2.6.7. Reporting

Reporting usually consist of annual and biannual (sometimes quarterly) reports. Project reporting is the responsibility of the implementing agency. At the annual level, reports are made against the annual plans and budgets (both progress and financial reporting). The reports are discussed and approved in the agreed decision making bodies (SB and/or SC).

Annual Reports

The annual reports focus on the progress towards the achievement of the planned results as well as on the analysis of assumptions and risks. Progress is compared to work plans, with reference to the indicators and milestones agreed in the Project Document and annual plans. The report also analyses how the implementation moves towards the achievement of the intended outcome and how the assumptions and risks have realized and if the mitigation efforts were effective. This information is essential for the SC and SB to make necessary judgements of the performance of the project and about the needed corrective measures.

Reporting is based on the agreed indicators and milestones. Also assumptions and risks are followed up and reported upon.

In the case of deviations from the work plan, the causes are analyzed and consequent implications are outlined. The annual report shows how the resources have been used and whether their use corresponds to the annual plan and budget drawn up at the beginning of the year. In the SB meetings the risk situation is also analysed annually and risk statement is included in the annual report All analyses are made in accordance with the project logic as defined in the Results Chain and Results Framework of the PD.

The budget follow-up is also based on the project result structure, when applicable, and covers contributions of all stakeholders. The financial report will be included in all periodic reports both in the form of a short narrative included in the progress report and an Annex containing details on periodic and cumulative expenditure against the budget. The financial reporting shall cover procurement and deployment of TA expertise, when applicable. Typically, the annual report should not be longer than 15–30 pages + annexes.

Semi-Annual or Quarterly Reports

Semi-annual reports (may also be quarterly) focus on short-term progress and completion of planned activities, and reports whether the project implementation is on track compared to the plans.

Partner organization planning and reporting templates may be used provided that they cater to the minimum information requirements outlined in the sample document templates of this manual. Lengthy descriptions of activities should be avoided in the narrative part of the report. Typically, the size of the semi-annual report should be maximum 5 pages + annexes.

The reports:

- Inform stakeholders of project progress (against what was planned), constraints encountered and any significant remedial or supportive action required;

- Provide a formal documented record of what has been achieved during the reporting period;

- Promote transparency and accountability. Good quality monitoring reports are also an essential input to project evaluations and audits.

- Promote learning & understanding what works, what not, and why?

Sample document templates and outlines:
- *Outline for an Annual/Semiannual/Quarterly Report with Results Reporting Matrix*
- *Template for periodic financial report*

2.6.8. Communication and Information Dissemination

Information dissemination is an integral part of project implementation (and implementation support), not an end-of-project activity.

The Project Management Team will design a project communication and dissemination plan during inception phase. It defines the internal and external information exchange plans and activities. Activities may include sharing of project documents (internal dissemination), seminars, conferences, media, pamphlets, webpage, social media, etc.

With a well-designed communication plan, the project partners are able to facilitate two-sided cooperation, create an active flow of information between all relevant stakeholders and with media, and maintain transparency when it comes to the cooperation, and results. Information dissemination is also an important part of creating sustainability and ownership to project activities and results.

Internal Information Dissemination

Internal information dissemination includes sharing of meeting invitations, minutes and reports between the project partners. It also includes sharing information on project results with the MFA in a way that the information can be easily used in MFA's communication activities. The MFA communicates the results of Finland's development cooperation to the general public, to stakeholders and to the media, and it is essential that the PMT provides the necessary data. The dissemination plan defines what information and materials are shared, how and when the information is shared, and what media is used (e.g. e-mail, project webpage, printed).

External Information Dissemination

External Dissemination includes information dissemination to stakeholders and wide public. The plan should include the following topics:

1. Definition of the objectives of the communication activities.

2. Identification of the intended users of the information. The intended users may be authorities, media, stakeholders, beneficiaries, duty-bearers, rights-holders, other partners.

3. Definition on the key messages, i.e. what information is relevant to each user group.

4. Definition of the communication channels, i.e. how the information would best reach the target groups. What are their preferred media? Are adaptations needed to ensure access to information to all (e.g. language, disability considerations).

5. Planning for information dissemination on how, when, and in which format information will be communicated, also plan for seminars, awareness raising.

6. Creating feedback mechanisms, if feasible.

7. The dissemination plan will also define who will take care of the communication and identify measures on how and by whom dissemination and communication are monitored.

2.6.9. Closing of the Project and Launching of a New Phase

Phasing out

Decision to close down the project should be made early enough in order to have a smooth process. After the decision on the closing down of the project has been taken, the PMT will draft a plan for phasing out, i.e. an exit plan. It should include all activities required for the closing of the project such as ending of work contracts of local staff, updating of inventory lists, drafting of the final report, closing of bank accounts, preparation of the documents for handing over the assets of the project.

The work plan of the last project implementation year should include gradual transfer of responsibilities to local authorities, unless they already are the implementing agency.

Closing a project and handing over of administrative and managerial duties as well as assets, requires quite a lot of time and effort. Therefore, it is recommended to start the phasing out several months before the actual end of the project. A closing event should be organized early enough to discuss the lessons learned during project and document good practices before drafting the final report.

Completion Report

The final completion of the project requires preparation of a completion report. In the completion report the implementing agency describes, among other issues, the inputs, the activities accomplished, the results reached, the realization of assumptions and risks, and the lessons learned. The implementing agency needs to include the list of project assets and to propose a plan for the use of the assets. The completion report should also be discussed in the closing seminar to allow possible revisions and correction. The final completion report may be due in 3 months before the closure of the project, in order to allow time for corrections and completion of financial report. The competent authorities accept the completion report in the final meeting of the project's Supervisory Board or by exchange of letters.

If a decision is made to launch formulation of a new phase, the competent authorities need to guide the implementing agency to prepare the Completion Report of the current phase in due course of time.

Inventory of Assets

All projects should keep an inventory and include it in the annual report. An update of the inventory is required before the transfer of assets can be planned. When the project is handed over, there must be an inventory of the assets that belong to the project. The inventory should specify the value, nature and quality of the assets. The inventory should also show the present use and location of the assets and their specific maintenance requirements.

The handing over of the project includes the transfer of the assets as a whole to the implementing organisation, the dismantling of the project's separate accounting system and the complete integration of the operations into the functions of the implementing organisation. Typically, handing over takes place over the last year of the project. During this period the operations are handed over, and at the same time the transfer of sufficient administrative capacity to deal with them is also ensured.

The competent authorities prepare and sign a formal Handing Over document, which includes a completion report and an asset list as its annexes. In the Handing Over document, all the remaining responsibilities are settled. The Handing Over document is often officially signed in a handing over ceremony.

Launching of a New Phase

Launching a new phase means essentially starting the project cycle again from the planning phase. The draft Project Document for the new phase needs to be formulated and then appraised, the funding decision has to be made, and, if needed, the consultant providing the support services must be selected.

Adequate time should be reserved for the process so that there would be no gap between the phases. The decision on the future of the project needs to be made at least two years before the end of project phase.

Sample document templates and outline:
- *Outline for a Completion Report*

Samples of documents to be included in the Project Implementation Manual:

- Document to certify the handing over of project assets
- Document to Certify the Project Completion
- Checklist for Project Completion

2.7 Evaluation

Evaluations are conducted for two purposes: first, to ensure that the programme is moving towards its expected results, and second, for lessons learned to all stakeholders.

Evaluation is part of the project cycle and it should be included in the M&E plan and budgeted for during the formulation phase.

In the Ministry for Foreign Affairs of Finland, evaluation is part of internal control and learning. The evaluation activity, its scope and principles as well as its planning and implementation are defined in the internal order of the Ministry (Norm 1/2015).

Purpose of evaluation is to produce independent and impartial information on the results, relevance, efficiency, sustainability and effectiveness. Evaluation also yields information on the management and administration practices, to the extent they affect the subject of the evaluation. Evaluation also provides lessons learned for similar projects in other countries.

The evaluation is based on the commonly accepted principles, criteria and standards established by the OECD Development Assistance Committee and by the European Union (see Table 6).

The results of the evaluations are made public and there is a system for following up the actions that are based on the recommendations and documented in the Management Response.

Guidance on how to plan, conduct and use evaluation is available in the MFA Evaluation Manual.

MFA Evaluation Manual
https://um.fi/evaluation-of-development-cooperation

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