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EVALUATION

of Economic Development,
Job Creation and Livelihoods

Volume 1.1 • Main Report



Evaluation on Finland's Development Policy and Cooperation

2021/1A



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EVALUATION OF ECONOMIC DEVELOPMENT, JOB CREATION AND LIVELIHOODS

Final Report

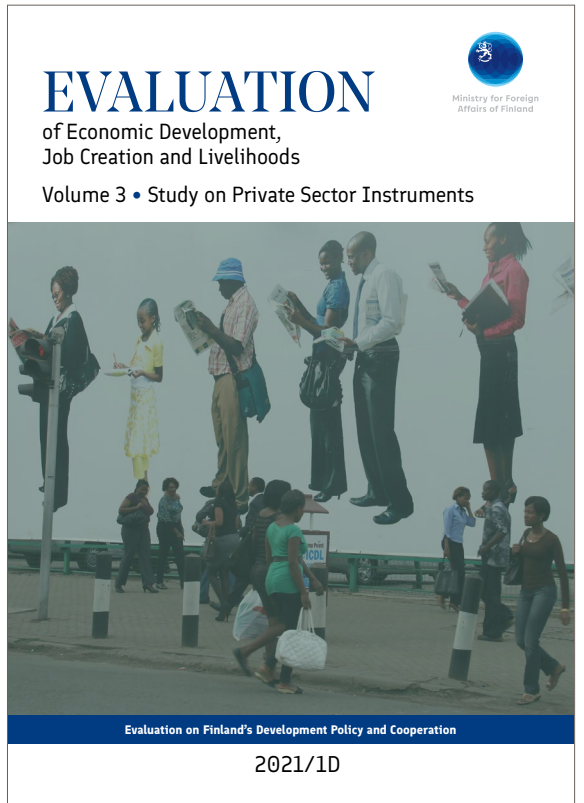
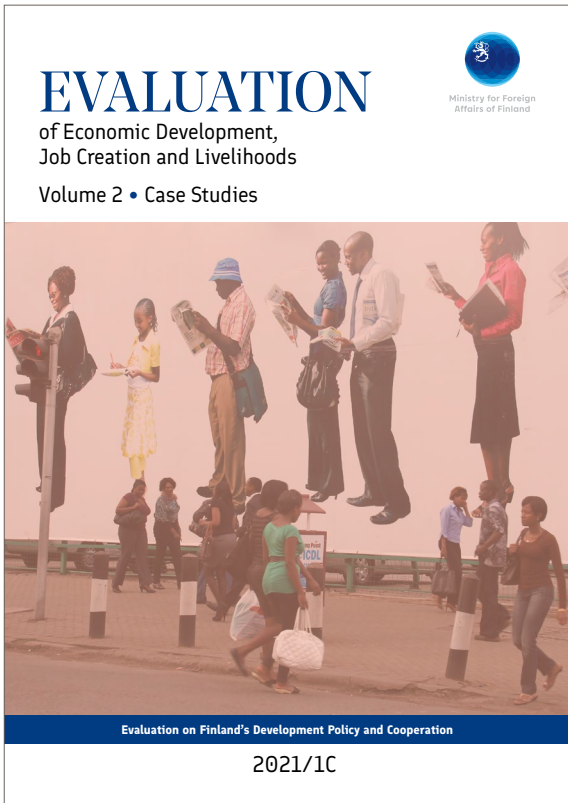
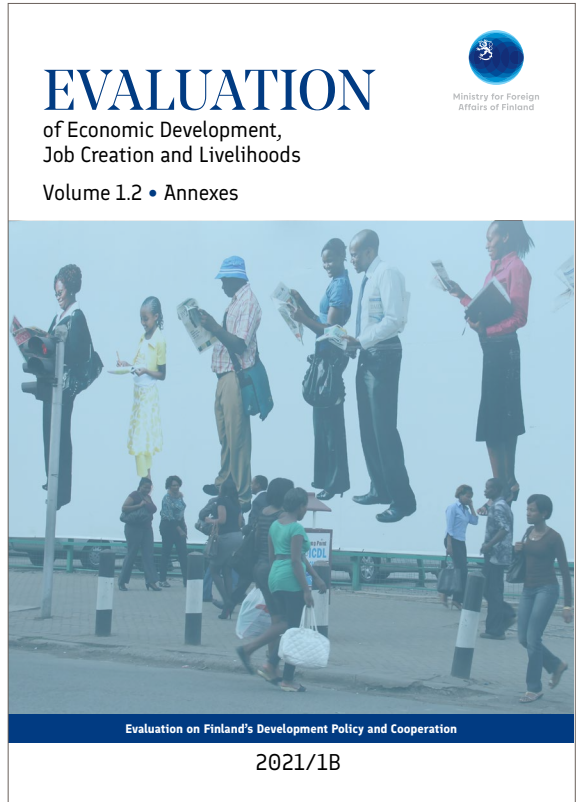
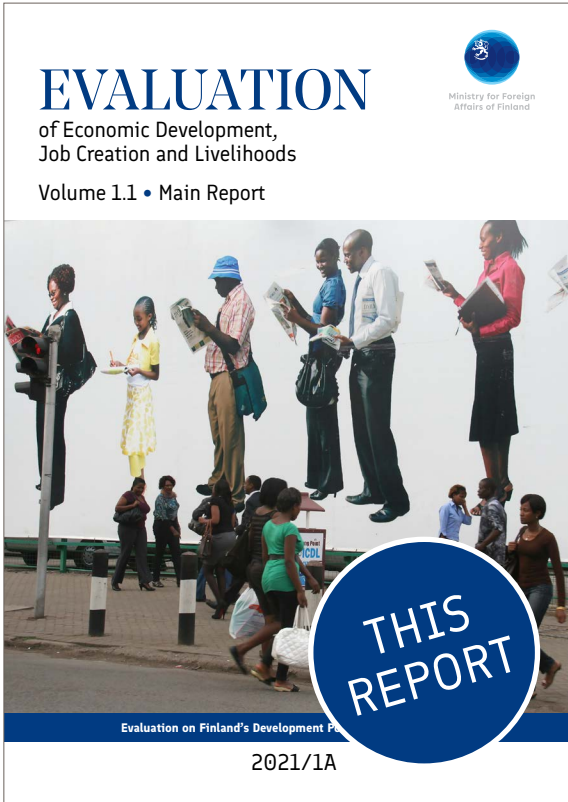
Volume 1.1 – Main Report

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Evaluation of Economic Development, Job Creation and Livelihoods

This evaluation report consists of four volumes:

VOLUME 1.1 – MAIN REPORT

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

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

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

VOLUME 2 – COUNTRY CASE STUDIES

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

VOLUME 3 – STUDY ON PRIVATE SECTOR INSTRUMENTS

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



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Acronyms and Abbreviations

€	Euro
AGS	Accelerated Growth for Micro, Small and Medium-Sized Enterprises in Zambia
ATAF	African Tax Administration Forum
BEAM	Business with Impact
BPP	Best Practices and Peer Review
CSO	Civil Society Organisations
DCED	The Donor Committee for Enterprise Development
DFI	Development Finance Institutions
DRM	Domestic Resource Mobilisation
EIF	Enhanced Integrated Framework
EITI	Extractive Industries Transparency Initiative International
EQ	Evaluation Question
FAO	Food and Agriculture Organisation
FAI	Finchchurch Aid Investments
FDI	Foreign Direct Investment
FORVAC	Forestry and Value Chains Development Programme
FP	Finnpartnership
GEF	Global Environment Facility
HRBA	Human-Rights Based Approach
HSHC	Help Self Help Centre (NGO)
IFC	International Finance Corporation
IFI	International Financial Institutions
ILO	International Labour Organisation
IPP	Innovation Partnership Programme
ITC	International Trade Centre
FLC	Fund for Local Cooperation
LDC	Least Developed Country
LMIC	Lower middle-income country
M&E	Monitoring and Evaluation
MFA	Ministry for Foreign Affairs Finland
MSD	Market Systems Development
MSME	Micro, Small and Medium-sized Enterprises
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development



OECD-DAC	OECD Development Assistance Committee
PFP	Private Forestry Programme
PIF	Public Sector Investment Facility
PSD	Private Sector Development
PSE	Private Sector Engagement
PSI	Private Sector Instrument
RBM	Results Based Management
SAIS	Southern Africa Innovation Support
SDG	Sustainable Development Goal
SME	Small and medium-sized enterprise
TMEA	TradeMark East Africa
ToC	Theory of Change
ToR	Terms of Reference
UMIC	Upper Middle-Income Country
UN	United Nations
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organisation
VCA	Value Chain Approach
WEE	Women's Economic Empowerment
WTO	World Trade Organisation
US\$	United States Dollar



Tiivistelmä

Arvioinnissa tarkasteltiin, miten Suomen antama tuki on vaikuttanut talouden vahvistamiseen, työpaikkojen luomiseen ja toimeentulon parantamiseen kumppanimaissa. Siinä arvioitiin, miten kehityspoliittiset tavoitteet ovat toteutuneet, mitkä ovat annetun tuen vahvuudet ja heikkoudet, sekä esitettiin toimenpiteitä toiminnan vahvistamiseksi.

Arviointi oli strateginen ja tulevaisuuteen suuntaava. Arvioinnin monimenetelmällinen lähestymistapa muodostui Kenian, Tansanian ja Sambian maakohtaisista selvityksistä, yksityisen sektorin instrumenttien analyysistä sekä temaattisten alueiden energia, innovaatiot, verotus ja naisten taloudellinen voimaantuminen analysoinnista. Lisäksi kartoitettiin verrokkimaiden hyviä käytänteitä.

Johtopäätökset. Toimien johdonmukaisuus on kehittynyt oikeaan suuntaan. Strategisen johtajuuden puute kuitenkin heikentää portfolion tuloksellisuutta sekä johdonmukaisuutta. Käytössä on menetelmiä, avun kanavia ja hankkeita, jotka tukevat tarkoituksenmukaista ja tuloksellista kehitysyhteistyötä. Silti ulkoministeriöllä on vielä käyttämätöntä potentiaalia entistä parempien tulosten saavuttamiseksi.

Globaalien trendien ja muiden Pohjoismaiden kokemusten tarkastelu osoitti, että kumppanimaiden talouden vahvistaminen ja yhteistyö yksityisen sektorin kanssa edellyttävät kokonaisvaltaista lähestymistapaa. Suomen kehityspolitiikassa talouden vahvistamisen ja yksityisen sektorin yhteistyön muotoja ei ole määritelty riittävän hyvin, mikä on omalta osaltaan johtanut toiminnan hajanaisuuteen.

Yksityissektorin rahoitusmekanismeissa on aukkoja, jotka rajoittavat mahdollisuuksia luoda menestyviä ja kehitysvaikutuksiltaan merkittäviä liiketoimintamalleja. Kun kehitysyhteistyöstä siirrytään kaupallisiin suhteisiin, siirtymisprosessi tulisi suunnitella ajoissa ja sille tulisi varata riittävät siirtymää palvelevat resurssit. Pyrkimys kanavoida tukea monenkeskisten järjestöjen kautta on yhteydessä siihen, että lähetystöt ovat aliresursoituja, eivätkä pysty optimaalisesti tukemaan nimenomaan talouden kehittämiseen pyrkiviä toimia. Hankkeet, yritykset ja yrityssektorin rahoitusmekanismit tarjoavat mahdollisuuksia luoda hyödyllisiä kumppanuuksia maatasolla. Nämä mahdollisuudet ovat olleet alikäytössä.

Suositukseset. Laaditaan kokonaisvaltainen, johdonmukainen ja käytännönläheinen talouden vahvistamisen ja yksityisen sektorin osallistumisen toimintalinjaus. Toimintalinjauksen yhteydessä luodaan yksityissektorin instrumenttien ohjeistus. Lisäksi sitoutetaan koko ulkoministeriö tukemaan muutosta, joka edistää siirtymää kohti kauppasuhteita kumppanimaiden kanssa ja yritysten roolin vahvistamista kehitysyhteistyössä.

Toimintaa kehitetään kokonaisvaltaisempaan suuntaan omaksumalla ekosysteemiperustainen lähestymistapa, jota testataan luomalla usean hankkeen tiivis kokonaisuus tietyn teeman ympärille yhdessä maassa. Investointeja tulisi jatkaa myös kahdenvälisiin hankkeisiin avainsektoreilla, joita ovat erityisesti metsät, innovaatiot ja yksityisen sektorin vahvistaminen. Yhteistyötä monenvälisten järjestöjen kanssa erityisesti maatasolla tulisi lisätä, samoin koordinaatiota EU:n rahoittamien toimien kanssa.

Avainsanat: Talouden kehitys, yksityisen sektorin yhteistyö, työpaikat, elinkeinot, Afrikka



Referat

Utvärderingen granskade hur Finlands stöd har bidragit till att stärka ekonomin, skapa arbetstillfällen och förbättra näringsgrenar i samarbetsländerna. Den bedömde i vilken grad målen för utvecklingspolitiken hade uppnåtts, vilka styrkorna och svagheter i stödet var, och föreslog åtgärder för att stärka utvecklingssamarbetet inom detta område.

Utvärderingen var strategisk och framåtblickande. Den baserades på en kombination av olika metoder, inklusive fallstudier om Kenya, Tanzania och Zambia; analys av privatsektorinstrument och analyser av specifika tematiska områden (energi, innovation, beskattning och kvinnors ekonomiska egenmakt). Dessutom kartlades andra givarländers ”god praxis”.

Slutsatser. Koherensen mellan de insatser som finansieras av Utrikesministeriet (UM) för ekonomisk utveckling, arbetstillfällen och näringsgrenar i samarbetsländer har förbättrats. Brist på strategiskt ledarskap undergrävde dock portföljens resultat såväl som den interna och externa koherensen. UM har till sitt förfogande en mängd metoder, biståndsmekanismer och projekt som understödjer ett relevant och effektivt utvecklingssamarbete. UM har dock fortfarande outnyttjad potential för ännu bättre resultat.

En granskning av globala trender och erfarenheter från andra nordiska länder visade att stärkandet av samarbetsländers ekonomier och samarbete med den privata sektorn kräver en helhetsyn. Väsentliga aspekter har inte definierats tillräckligt bra i Finlands utvecklingspolitik, vilket har lett till en fragmentering av verksamheten.

Det finns luckor i finansieringsmekanismerna för den privata sektorn som begränsar dess förmåga att ta fram framgångsrika och utvecklingsorienterade affärsmodeller. Vid en övergång från utvecklingssamarbete till kommersiella (och andra) relationer bör en strategi tas fram i god tid och tillräckliga resurser bör tilldelas för dess genomförande. Finlands benägenhet att kanalisera bistånd genom multilaterala organisationer är kopplat till att ambassaderna ofta är underbemannade och inte kan ge optimalt stöd för åtgärder som syftar till ekonomisk utveckling. Både bilateral och multilateral programmering ger möjligheter för att stärka partnerskap för resultat, men dessa förblir underutnyttjade.

Rekommendationer. Utveckla en omfattande, koherent och handlingsbar policy för ekonomisk utveckling och privata sektorns deltagande. Ta fram konkreta riktlinjer för privatsektorinstrument (PSI) i tillägg till policyn. Gör övergången från utvecklingssamarbete till starkare kommersiella och övergripande relationer hela UM:s och dess partners angelägenhet.

Gör genomförandet av portföljen för ekonomisk utveckling, arbetstillfällen och näringsgrenar mer holistisk genom att använda en ekosystem-baserad metod för programutveckling. Börja med att testa metoden för att sedan bana väg för genomförandet av den föreslagna nya policyn. Fortsätt/öka investeringen i direkta, bilaterala program i utvalda, strategiska sektorer, inklusive skogsbruk, innovation och privatsektorutveckling. Skapa och utnyttja möjligheter för att öka partnerskap och samarbete genom multilaterala program, särskilt på landnivå, och överväg att stärka partnerskapet med EU.

Nyckelord: ekonomisk utveckling, privata sektorns deltagande, skapande av arbetstillfällen, näringsgrenar, Afrika.



Abstract

The evaluation examined how Finland's support has contributed to strengthening the economy, creating jobs and improving livelihoods in partner countries. It assessed how development policy objectives had been achieved, what were the strengths and weaknesses of the assistance provided, and proposed measures to strengthen development cooperation in this field.

The evaluation was strategic and forward-looking. The methodology followed a mixed-methods approach consisting of several components such as Country Case Studies for Kenya, Tanzania and Zambia; analysis of private sector instruments and analyses of specific thematic areas (energy, innovation, taxation and women's economic empowerment). In addition, good practices implemented by peer countries were mapped.

Conclusions. The coherence of the actions funded by MFA to strengthen Economic development, job creation and livelihoods portfolio in partner countries has moved in the right direction. However, a lack of strategic leadership undermined portfolio performance as well as internal and external coherence. The MFA has at its disposal a range of methods, aid modalities and projects that support appropriate and effective development cooperation. Yet, the MFA still has untapped potential for even better results.

An examination of global trends and the experience of other Nordic countries showed that strengthening the partner countries' economies and cooperating with the private sector requires a holistic approach. In Finland's development policy, the relevant aspects of economic development and private sector partnering have not been defined well enough, which in turn has led to a fragmentation of operations.

There are gaps in private sector funding mechanisms that limit their ability to create successful and development-oriented business models. When transitioning from developing cooperation to commercial (and other) relations, the process should be strategised well in advance and resourced sufficiently. Linked to Finland's overall tendencies to channel aid through multilateral organisations, the embassies are often under-resourced and not always optimally playing their role. While both bilateral and multilateral programming would provide opportunities for intensified partnering for results, these opportunities remain underutilised.

Recommendations. Develop a comprehensive, coherent and actionable Policy for Economic Development and Private Sector Engagement. Develop practical Private Sector Instrument (PSI) Guidelines to accompany the Policy. Make the transition from an emphasis on development cooperation to stronger commercial and overall relations the business of the whole MFA and its partners.

Make implementation of the Economic Development, Job Creation and Livelihoods portfolio more holistic by adopting an ecosystem approach to programming. Start with a pilot which paves the way for the implementation of the proposed new Policy. Continue/increase investing in direct, bilateral programmes in selected, strategic sectors, including forestry, innovation, and private sector development. Create and seize opportunities for increasing partnering and collaboration with multilateral programming, particularly at the country level, and consider increasing partnering with the European Union (EU).

Key words: economic development, private sector engagement, job creation, livelihoods, Africa



Yhteenvedo

Arvioinnissa tarkasteltiin, miten Suomen antama tuki on vaikuttanut talouden vahvistamiseen, työpaikkojen luomiseen ja toimeentulon parantamiseen kumppanimaissa. Tavoitteena oli arvioida, miten Suomen kehityspoliittiset tavoitteet ovat toteutuneet ja, mitkä ovat annetun tuen **vahvuudet ja heikkoudet** sekä esittää, miten toimintaa voidaan vahvistaa. Tavoitteena oli tuottaa tietoa, jonka avulla ulkoministeriö voi kehittää toimintaansa tulevaisuudessa sekä kirkastaa Suomen roolia ja tuottaa lisäarvoa kansainvälisessä kehitysyhteistyössä.

Arvioinnissa käsiteltiin kolmea pääkysymystä:

1. Missä määrin ja kuinka Suomi on saavuttanut erityisesti kehityspoliittikan painopistealueen 2 (*Kehitysmaiden talouksien vahvistaminen – lisää työpaikkoja, toimeentuloa ja hyvinvointia*) tavoitteet? Kuinka tarkoituksenmukaisia ja tuloksellista rahoitettu toiminta on ollut suhteessa kumppanimaiden tarpeisiin?
2. Mitä ulkoministeriö voi oppia muilta vastaavilta kehitysyhteistyön rahoittajilta, erityisesti muilta Pohjoismailta? Mitä voidaan oppia kansainvälisistä hyvistä käytänteistä ja trendeistä, jotta voidaan toteuttaa tarkoituksenmukaisempaa, tuloksellisempaa ja johdonmukaisempaa kehitysyhteistyötä?
3. Kuinka Suomen kehitysyhteistyön tuloksellisuutta ja sen tulosohjausta voidaan kehittää talouden vahvistamisen, työpaikkojen luomisen ja toimeentulon parantamisen näkökulmasta?

Arvioinnin laajuus. Tarkastelujakso kattoi vuodet 2016–2019. Lisäksi arvioinnissa otettiin huomioon joitakin hankkeita, joita oli toteutettu kyseisen ajanjakson ulkopuolella. Arvioinnissa tarkasteltiin sekä yksityisen sektorin rahoitusinstrumentteja että linkkejä kehityspoliittikan painopistealue 2:n ja muiden painopistealueiden välillä.

Arvioinnin lähestymistapa ja menetelmät. Arviointi oli strateginen ja tulevaisuuteen suuntaava. Siinä tarkasteltiin toteutettujen ohjelmien, hankkeiden ja muiden toimien tuloksia ja ammenettiin niistä hyviä käytänteitä Suomen kehityspoliittikan kehittämistä varten. Tulokset koottiin monia eri arviointimenetelmiä yhdistellen ja keräten aineistoa useista eri tiedonlähteistä. Arviointi muodostui useasta osa-alueesta. Arvioinnissa toteutettiin Kenian, Tansanian ja Sambian maakohtaiset selvitykset, yksityisen sektorin instrumenttien analyysi sekä analysoitiin temaattiset osa-alueet energia, innovaatio, verotus ja naisten taloudellinen voimaantuminen. Lisäksi kartoitettiin verrokkimaiden ja muiden kansainvälisten toimijoiden seuraamia trendejä ja hyviä käytänteitä.

Arvioinnin tiedonlähteet. Arvioinnissa kerättiin välillistä tietoa eri hankkeiden raporteista ja evaluaatioista sekä julkisesti saatavilla olevista julkaisuista. Suorina tiedonlähteinä käytettiin keskeisten toimijoiden haastatteluja. Haastateltavia olivat muun muassa ulkoministeriön asiantuntijat, yksityisen sektorin instrumenttien toteuttajat, kumppanimaiden hallitusten virkailijat, yksityisen sektorin ja siviiliyhteiskunnan edustajat sekä muiden oleellisten sidosryhmien edustajat. Arvioinnissa tehtiin yhteensä 164 haastattelua useassa eri maassa ml. Suomi, Kenia, Tansania ja Sambia.



Koronaviruspandemiasta johtuvat rajoitteet. Koronaviruspandemiasta johtuen arvioinnin ydinryhmä ei toteuttanut kenttämatkoja kumppanimaihin. Sen sijaan Tansaniassa, Keniassa ja Sambiassa kokeneet maakonsultit identifioivat sidosryhmien edustajia, haastattelivat heitä ja keräsivät muuta tarvittavaa aineistoa. Kaikki keskustelut ulkoministeriön kehitysevaluoinnin yksikön, maatiimien ja ohjausryhmän edustajien kanssa sekä osa muista haastatteluista toteutettiin verkon välityksellä.

Löydökset. Arvioinnin olennaisimmat löydökset olivat:

Suomen antama tuki kumppanimaiden talouden vahvistamiseen, työpaikkojen luomiseen ja toimeentulon parantamiseen.

Tarkoituksenmukaisuus (Relevance). Arvioinnin kohteena olleet toimet Keniassa, Tansaniassa ja Sambiassa vastasivat hyvin useimpiin näiden maiden kehityshaasteisiin. Tuki energiasektorille, innovaatioihin, verotukseen ja naisten taloudelliseen voimaannuttamiseen vastasi pääsääntöisesti sekä Suomen kehityspolitiikan tavoitteita että kumppanimaiden tarpeita. Yksityisen sektorin instrumenttien kautta menevä tuki oli tyydyttävästi linjassa Suomen kehityspolitiikan kanssa, mutta kumppanimaiden tarpeiden näkökulmasta niiden tarkoituksenmukaisuus vaihteli instrumentin mukaan.

Tuloksellisuus (Effectiveness). Suomen kehitysyhteistyö on tuottanut monia menestystarinoita tukiessaan kumppanimaiden taloutta, työpaikkojen luomista ja toimeentulon parantamista. Esimerkiksi kahdenväliset innovaatiohankkeet (Tansania ja Vietnam) sekä Tansanian metsäohjelma saavuttivat hyviä tuloksia. Lisäksi ulkoministeriön kauppapolitiikan yksikön toteuttamat naisten taloudelliseen voimaantumiseen tähtäävät toimet johtivat positiivisiin muutoksiin. Toimet niillä temaattisilla aihealueilla, jotka koskivat energiasektoria, innovaatio toimintaa ja verotusta, olivat myös yleisesti ottaen tuloksellisia.

Toisaalta joidenkin hankkeiden toteutuksessa ilmeni puutteita, osa saavutuksista oli hajanaisia, eikä kaikkia mahdollisuuksia toiminnan kehittämiseksi oltu käytetty hyväksi. Sambiassa ja Keniassa toteutettujen hankkeiden ansiot jäivät vähäisiksi. Sambiassa Suomi oli panostanut siihen, että maiden välinen yhteistyö siirtyisi kehitysyhteistyöstä enemmän kaupan ja talouden alalle. Tämä prosessi ei ollut kuitenkaan vielä tuottanut toivottuja tuloksia, mikä johtui erityisesti siirtymän puutteellisesta resursoinnista ja suunnittelusta.

Yksityisen sektorin instrumenttien tuottamat kokonaistulokset jäivät puutteellisiksi. Poikkeus oli Finnfund, joka osoittautui kokonaisuudessaan varsin tuloksekkaaksi instrumentiksi. Keskeisin heikkous oli, että nämä välineet eivät muodostaneet rahoituksen ja tukipalvelujen jatkumoa, joka mahdollistaisi yritysten vähittäisen kasvun tai innovaatioiden tuotteistamisen.

Myös ihmisoikeusperustaisuuden huomioimisen, tasa-arvon valtavirtaistamisen, syrjimättömyyden ja ilmastokestävyyden näkökulmasta tulokset olivat vaihtelevia.

Johdonmukaisuus (Coherence). Ulkoministeriö on vahvistanut kehitysyhteistyön johdonmukaisuutta viime vuosina mm. määrittämällä kehityspolitiikalle tietyt painopistealueet ja linkittämällä maaohjelmien tavoitteet niihin. Arvioinnin mukaan yksittäisten hankkeiden tavoitteet olivat linjassa näiden laajempien tavoitteiden kanssa. Strategisen ohjaus oli riittämätöntä, mikä näkyi johdonmukaisuuden puutteena. Toisaalta Suomen Verotus ja kehitys -toimintaohjelman 2020–2023 valmistuminen oli askel oikeaan suuntaan. Ohjelman heikkous on kuitenkin se, että tavoitteena on kumppanimaiden veroviranomaisten teknisten valmiuksien kehittäminen eikä hyvän hallintotavan puutteiden korjaaminen.



Globaalit trendit ja muiden Pohjoismaiden kokemukset.

Globaalien trendien ja muiden Pohjoismaiden kokemusten tarkastelu osoitti, että kumppanimaiden talouden vahvistaminen ja yhteistyö yksityisen sektorin kanssa edellyttävät kokonaisvaltaista lähestymistapaa. Useat toisistaan riippuvat tekijät vaikuttavat lopputulokseen. Ensisijaisen tärkeää on määrittellä tavoitteet köyhyyden vähentämisen näkökulmasta. Linjaukseen tulisi sisältyä oman maan (tässä tapauksessa suomalaisten) yritysten roolin kirkastaminen kehitysyhteistyössä. Tehdyn analyysin perusteella on tärkeää myös määrittellä, mitkä ovat rahoittajan prioriteetit seuraavissa asioissa:

- Maantieteelliset alueet (erityisesti päätös siitä, panostetaanko hauraisiin konteksteihin);
- Tuettavat sektorit (kuten maaseudun kehittäminen tai uusiutuvat energiat);
- Läpileikkaavat tavoitteet, teemat ja toimintaperiaatteet (kuten tasa-arvo, syrjimättömyys, ilmastonmuutos, nuoret tai konfliktisensitiivisyys);
- Toteutuksessa käytettävät lähestymistavat (kuten kauppaa tukeva kehitysyhteistyö *Aid for Trade*, markkinajärjestelmien kehittäminen *Market Systems Development* tai arvoketjulähestymistapa *Value Chain Approach*);
- Avun kanavat (kuten yksityisen sektorin instrumentit tai yhteistyö monenvälisen organisaatioiden kanssa).

Lisäksi talouden vahvistamista ja yksityissektorin osallistumista koskevassa linjauksessa tulee määrittellä, miten työ järjestetään rahoittajaorganisaatiossa, esimerkiksi hajautetaanko osaaminen eri osastoille vai keskitetäänkö se tiettyyn yksikköön. Lopulta tarkoituksenmukainen seuranta-, arviointi-, oppimis- ja viestintästrategia nivoo linjauksen valinnat yhteen.

Suomen kehityspolitiikassa edellä lueteltuja asioita ei ole määritelty riittävän hyvin, mikä on omalta osaltaan johtanut toiminnan hajanaisuuteen.

Lisäksi, jos kahdenvälisiä hankkeita vähennetään, samalla vähenevät myös tilaisuudet luoda vahvoja maatason kumppanuuksia. Monenvälinen yhteistyö tarjoaa toki monenlaisia mahdollisuuksia, mutta voi joissain tapauksissa heikentää Suomen kykyä vaikuttaa maatason tavoitteisiin.

Tuloksellisuuden vahvistaminen ja tulosohejaus.

Arvioinnin löydösten perusteella talouden kehittämisen ja yksityisen sektorin osallistumisen strategian laatiminen ulkoministeriössä on tarpeen, jotta tuki kumppanimaille olisi johdonmukaisempaa ja tuloksellisempaa. Huomion tulisi kohdistua Suomen ulko- ja turvallisuuspolitiikan sekä kauppa- ja kehityspolitiikan väliseen vuorovaikutukseen. Strategiassa pitäisi tehdä linjauksia myös resurssien jakamisesta ja kumppanuuksista. Tärkeää olisi myös liittää mukaan konkreettinen tiekartta strategian toimeenpanoa varten.

On välttämätöntä myös ratkoa tiettyjä johdonmukaisen ja tuloksellisen toiminnan esteenä olevia erityiskysymyksiä. Tällaisia kysymyksiä ovat yritysten roolin määrittely ja yhteensovittaminen kehitysyhteistyökontekstissa, aikaväli ja sen mukainen strategia, jolla köyhyyttä pyritään vähentämään, koronaviruspandemian vaikutusten käsittely sekä tapa, jolla naisten taloudellista voimaannuttamista lähestytään. Ulkoministeriön tulosohejaus ja henkilöstön resursointi arvioinnissa mukana olleilla aihealueilla jättivät myös toivomisen varaa.



Johtopäätökset. Löydöksistä johdettiin kahdeksan johtopäätöstä.

Toiminnan vahvuudet:

1. Ulkoministeriön rahoittamien toimien johdonmukaisuus talouden vahvistamiseksi, työpaikkojen luomiseksi ja toimeentulon parantamiseksi on kehittynyt oikeaan suuntaan. Merkittäviä parannuksia hankeportfolion suhteen kuitenkin vielä tarvitaan (ks. johtopäätös 3).
2. Vaihtelevista tuloksista huolimatta ulkoministeriön käyttämät lähestymistavat, instrumentit ja hankkeet ovat pääasiallisesti tarkoituksenmukaisia ja tuloksellisia.

Toiminnan kehittämiskohteet:

3. Strategisen johtajuuden – erityisesti kokonaisvaltaisen strategian tai linjauksen – puute heikentää portfolion tuloksellisuutta sekä sisäistä ja ulkoista johdonmukaisuutta.
4. Yritysten, kansalaisjärjestöjen ja muiden toimijoiden näkökulmasta yksityissektorin rahoitusmekanismeissa on aukkoja, jotka rajoittavat mahdollisuuksia luoda menestyviä ja kehitysvaikutuksia tavoittelevia liiketoimintamalleja.
5. Kun kehitysyhteistyöstä siirrytään kaupallisiin suhteisiin, siirtymisprosessi tulisi suunnitella hyvissä ajoin etukäteen. Lisäksi sille tulisi varata riittävät haastavaa siirtymää palvelevat resurssit. Tämä ei ole toistaiseksi toteutunut siirtymän osalta Sambiassa.
6. Talouden kehittämisen, työpaikkojen luomisen ja elinkeinojen parantamisen hankeportfolion määrittäminen on haasteellista, jopa pelkästään kehityspolitiikan painopistealue 2:n portfolion osalta. Tulohajasta vaikeuttavat tuloskehikon epäselvä tehtävä ja formulointi, sekä hajanaiset ja epäjohdonmukaiset tulostiedot.
7. Ulkoministeriön yleinen pyrkimys kanavoida tukea monenkeskisten järjestöjen kautta ja käyttää useita muitakin kanavia avaa uusia mahdollisuuksia. Tämä toimintatapa on kuitenkin myös yhteydessä siihen, että lähetystöt ovat aliresurssoituja. Se rajoittaa lähetystöjen mahdollisuuksia tukea yksityissektorin osallistumista ja lähetystöjen kykyä optimaalisesti tukea nimenomaan talouden kehittämiseen pyrkiviä toimia kumppanimaissa.
8. Sekä kahden- että monenväliset hankkeet tarjoavat mahdollisuuksia luoda hyödyllisiä kumppanuuksia maatasolla. Tämä pätee myös yksityissektorin rahoitusmekanismeihin ja yrityksiin. Näitä mahdollisuuksia ei kuitenkaan ole juurikaan käytetty.

Suositukseset. Johtopäätöksiin perustuen ulkoministeriölle tehtiin seitsemän suositusta.

Neljä suositusta liittyy strategiaan linjauksiin ja tulosohjaukseen:

1. Laaditaan kokonaisvaltainen, johdonmukainen ja käytännönläheinen talouden vahvistamisen ja yksityisen sektorin osallistumisen toimintalinjaus.
2. Toimintalinjauksenrinnalle luodaan yksityissektorin instrumentteja koskeva ohjeistus ja tehdään muitakin toimenpiteitä, joilla vahvistetaan yksityissektoria koskevien mekanismien tuloksellisuutta ja johdonmukaisuutta.
3. Sitoutetaan koko ulkoministeriö tukemaan muutosta, joka edistää sekä siirtymää kohti kauppasuhteita kumppanimaiden kanssa että yritysten roolin vahvistumista kehitysyhteistyössä. Kahdenvälisiä innovaatiohankkeita tulisi käyttää kumppanuuksien rakentamiseen ja parantamaan suomalaisten yritysten mahdollisuuksia. Lisäksi verotuksen kehittämistä koskevien hankkeiden tulisi tehostaa kumppanimaan sisäistä resurssien mobilisaatiota (*Domestic Resource Mobilization*).
4. Linkitetään talouden kehittämistä, työpaikkojen luomista ja elinolojen parantamista koskevan toimintalinjauksen toimeenpano ja sitä koskevan tulosohjauksen vahvistaminen.



Kolme suositusta liittyy kehitysyhteistyön toteutukseen ulkoministeriössä:

5. Talouden kehittämisen, työpaikkojen lisäämisen ja elinolojen parantamisen hankeportfolion johdonmukaisuutta vahvistetaan eri osastojen ja lähetystöjen välisellä yhteistyöllä. Toimintaa kehitetään kokonaisvaltaisempaan suuntaan omaksumalla ekosysteemi- ja kestävän kehityksen lähestymistapa. Mallia testataan luomalla usean lähestymistavan tiivis hanke- tai ohjelmakokonaisuus monia eri avun kanavia käyttäen tietyn teeman ympärille yhdessä maassa.
6. Jatketaan investointeja kahdenvälisiin hankkeisiin strategisilla sektoreilla, joita erityisesti ovat metsäsektori, innovaatiot ja yksityisen sektorin vahvistaminen.
7. Syvennetään yhteistyötä monenvälisten järjestöjen toteuttamien hankkeiden kanssa erityisesti maatasolla ja lisätään kumppanuutta EU:n rahoittamien toimien kanssa.

Evaluointiraportti koostuu pääraportista ja liitekokoelmasta. Jälkimmäinen osio sisältää maatason selvitykset, yksityisen sektorin instrumenttien analyysin, temaattiset analyysit, vertaisarvioinnin ja hyvät käytännöt ja muut tarkentavat tiedot.



Tärkeimmät löydökset, johtopäätökset ja suositukset

Löydökset	Johtopäätökset	Suositukset
Strateginen taso		
<p>1. Kaikissa arvioinnin kohdemaissa (Kenia, Tansania, Sambia) sekä maastrategiat että hankkeet olivat linjassa Suomen kehityspolitiikan kanssa, mutta toteutuksen tasolla johdonmukaisuudessa oli puutteita.</p> <p>8. Yksityissektorin instrumentteja koskeva strategisen ohjauksen puute ja nykyisten ohjausjärjestelmien epäjohdonmukaisuus vaikuttivat negatiivisesti instrumenttien tuloksellisuuteen.</p> <p>11. Arvioitujen yksityissektorin instrumenttien hankkeet vastasivat niille pääasiallisesti asetettua ohjeistusta ja päämääriä. Näissä tapauksissa ohjeistukset, toimintatavat ja käytettävät keinot ovat olleet linjassa toistensa kanssa.</p> <p>14. Arvioiduilla temaattisilla aihealueilla, mukaan lukien yksityisen sektorin instrumentit, ei ole sellaista strategiaa, jonka avulla niille voitaisiin luoda kokonaisvaltaiset tavoitteet ja sitä kautta vahvistaa niiden toteuttamista. Tästä kuitenkin on poikkeuksena Suomen Verotus ja kehitys -toimintaohjelma 2020–2023. Se kuitenkin keskittyy veroteknisen kapasiteetin lisäämiseen, eikä hyvään hallintoon liittyviin kysymyksiin, mikä heikentää johdonmukaisuutta.</p> <p>15. Suomella ei ole talouden kehittämistä ja yksityissektoria koskevaa linjausta tai strategiaa. Mikäli sellainen kehitetään, sen tulisi perustua johdonmukaiseen ja kattavaan viitekehykseen, joka koostuu toisiaan täydentävistä osista.</p> <p>16. Toimintatapoja koskevan viitekehyksen lähtökohtana tulisi olla päämäärien selkeys. Tämä koskee erityisesti köyhyyden vähentämistä, ja siihen liittyviä konkreettisia ja mitattavia tuloksia. Lisäksi yksityisen sektorin toimijoiden, erityisesti kotimaisten yhtiöiden rooli vaatii määrittelyä.</p> <p>17. Talouden kehittämistä ja yksityisen sektorin osallistumista koskevan strategian valmistelussa maantieteellisen painopisteen määrittäminen niin maailmanlaajuisesti kuin maatasollakin on kriittinen valinta. Suomen ulkoministeriölle kriittiset valinnat liittyvät siihen panostetaanko hauraisiin vai ei-hauraisiin konteksteihin, alemman keskitulotason vai keskituloisiin maihin; kumppanimaihin vai muihin maihin; ja maaseutu- vai kaupunkikontekstiin.</p>	<p>1. Ulkoministeriön rahoittamien toimien johdonmukaisuus talouden vahvistamisen, työpaikkojen luomisen ja toimeentulon parantamiseksi kumppanimaissa on kehittynyt oikeaan suuntaan. Merkittäviä parannuksia hankeportfolion suhteen kuitenkin vielä tarvitaan (ks. johtopäätös 3).</p> <p>3. Strategisen johtajuuden – erityisesti kokonaisvaltaisen strategian tai linjauksen – puute heikentää portfolion tuloksellisuutta sekä sisäistä ja ulkoista johdonmukaisuutta.</p>	<p>1. Laaditaan kokonaisvaltainen, johdonmukainen ja käytännönläheinen talouden vahvistamisen ja yksityisen sektorin osallistumisen toimintalinjaus.</p>



Löydökset	Johtopäätökset	Suosituks
Strateginen taso		
<p>18. Toimintakehikkoaan tehdessä Suomi pohtii sektori-valintoja ja läpileikkaavia teemoja koskevia haasteita. Toimintatapoja koskevat päätökset edellyttävät pitkän-tähtäimen vision hyväksymistä, usein ilman edeltävää tietoa siitä mikä toimii ja mikä ei.</p> <p>19. Toimintakehikossaan Suomen tulisi selkeästi määritellä lähestymistapansa koskien taloudellisen kehityksen vahvistamista ja yksityissektorin osallistumista, sillä käytettävillä menetelmillä on vaikutuksia toimintatapoihin.</p> <p>24. Taloudellista kehitystä vahvistavan portfolion osalta on ratkaisemattomia ja perustavaa laatua olevia kysymyksiä siitä, miten asetetut päämäärät voitaisiin saavuttaa ja miten niitä lähestytään. Tämä vaikuttaa negatiivisesti erityisesti tuen johdonmukaisuuteen ja tuloksellisuuteen.</p>		
<p>9. Ulkoministeriön käyttämät yksityissektorin instrumentteja koskevat toimintaperiaatteet ja välineet sekä ohjauksen tiukkuus vaihtelevat huomattavasti instrumentin mukaan, mikä rasittaa joitakin instrumentteja suhteettomasti.</p> <p>10. Yksityissektorin instrumentit eivät muodosta sellaista rahoituksen ja tukipalvelujen jatkumoa, joka mahdollistaisi yrityksen kasvun tai innovaatioiden kaupallistamisen.</p> <p>20. Uusien yksityissektorin instrumenttien tai modaaliteettien perustamisen tulee perustua mahdollisen talouden vahvistamisen ja yksityissektorin osallistumisen strategian toiminnallistamiseen, ja ulkoministeriön tulee varmistaa uusien ja aiempien instrumenttien täydentävyys. Ulkoministeriön tulee myös määritellä tarkasti mahdolliset kumppanuudet ja ymmärtää uusiin kumppanuuksiin liittyvät mahdolliset riskit.</p>	<p>4. Yritysten, kansalaisjärjestöjen ja muiden toimijoiden näkökulmasta yksityissektorin rahoitusmekanismeissa on aukkoja, jotka rajoittavat niiden mahdollisuuksia luoda menestyviä ja kehitysvaikutuksia tavoittelevia liiketoimintamalleja.</p>	<p>2. Toimintalinjauksen rinnalle luodaan yksityissektorin instrumentteja koskeva ohjeistus ja tehdään muitakin toimenpiteitä, joilla vahvistetaan yksityissektoria koskevien mekanismien tuloksellisuutta ja johdonmukaisuutta.</p>
<p>3. Siirtymä kehitysyhteistyöstä pääasiallisesti kaupallisiin suhteisiin Sambiassa ei toistaiseksi ole johtanut haluttuun maiden välisen kaupan lisääntymiseen. Tämä johtuu heikosta siirtymän strategisoinnista ja vähäisistä siirtymää tukevista resursseista. Samaan aikaan kehitysyhteistyötä on leikattu rajusti.</p> <p>27. Vietnamin Innovation Partnership Programme (IPP) tuki vietnamilaisia kumppaneita kehittämään ja kasvamaan. Nyt ne osaltaan muodostavat uusia siteitä ja vahvistavat olemassa olevia suhteita Vietnamin ja Suomen välillä.</p> <p>28. Kehitysyhteistyöstä etenkin kaupallisiin suhteisiin siirtymässä olevan maan sisäisten resurssien mobilisaation (Domestic Resource Mobilization) vahvistaminen verotuksen kautta voisi täyttää mahdollisen Suomen vähenevän kehitysyhteistyön aukon.</p>	<p>5. Kun kehitysyhteistyöstä siirrytään kaupallisiin suhteisiin, siirtymisprosessi tulisi suunnitella hyvissä ajoin etukäteen. Lisäksi sille tulisi varata riittävät haastavaa siirtymää palvelevat resurssit. Tämä ei ole toistaiseksi toteutunut siirtymän osalta Sambiassa.</p>	<p>3. Sitoutetaan koko ulkoministeriö tukemaan muutosta, joka edistää siirtymää kohti kauppasuhteita kumppanimaiden kanssa ja yritysten roolin vahvistamista kehitysyhteistyössä. Kahdenvälisiä innovaatiohankkeita tulisi käyttää kumppanuuksien rakentamiseen ja parantamaan suomalaisten yritysten mahdollisuuksia. Lisäksi verotuksen kehittämistä koskevien hankkeiden tulisi tehostaa kumppanimaan sisäistä resurssien mobilisaatiota (Domestic Resource Mobilization).</p>



Löydökset	Johtopäätökset	Suosituks
Strateginen taso		
<p>22. Suomen talouden kehittämistä, työpaikkojen luomista ja elinolojen parantamista koskevan tuen seurantaan, arviointiin ja oppimiseen liittyvät haasteet koskevat esimerkiksi välittömien tavoitteiden (outcome-taso) ja vaikuttavuuden (impact) arvioimista, lähtötason tiedon saatavuutta, ja attributiota (jonkin ansioksi lukemista), mikä on yleisesti todettua eri kehityskonteksteissa. Erityispiirteinä oli indikaattorien valinta esimerkiksi koskien työpaikkojen luomista vs. tuloissa tapahtuvat muutokset.</p> <p>29. Ulkoministeriön tulosohjauksen taso koskien talouden kehittämistä, työpaikkojen lisäämistä ja elinolojen parantamista ei ole ollut optimaali, mikä johtuu heikosta tuloksiin perustuvan tiedon (Result-based management) käytöstä ja päätöksentekoon liittyvistä heikkouksista. Muut syyt liittyvät henkilökuntaa koskeviin resursseihin; ohjauksen puutteeseen, joka johtuu asianmukaisen strategisen suunnittelun ja toimintasuunnitelmien puutteesta; ja tuloskehikkojen pulmallisista muotoiluista.</p>	<p>6. Talouden kehittämisen, työpaikkojen luomisen ja elinkeinon parantamisen hankeportfolion määrittäminen on haasteellista, jopa pelkästään kehityspolitiikan painopistealue 2:n portfolion osalta. Tulosohtaukselta vaikeuttavat tuloskehikon epäselvä tehtävä ja formulointi, sekä hajanaiset ja epäjohtamukaiset tulostiedot.</p>	<p>4. Linkitetään talouden kehittämistä, työpaikkojen luomista ja elinolojen parantamista koskevan toimintalinjauksen toimeenpano ja sitä koskevan tulosohjauksen vahvistaminen.</p>
<p>2. Arvioinnin kohteena olleet hankkeet vastasivat hyvin useimpiin maatason kehityshaasteisiin. Kehitysyhteistyöstä pääasiallisesti kaupallisiin suhteisiin tapahtuneen siirtymän priorisointi Sambiassa, rajoitettu hankkeiden määrä Keniassa ja kaikkein köyhimpien tarpeisiin vastaamisen epävarmuus Tansaniassa vaikuttivat negatiivisesti tuen tarkoituksenmukaisuuteen (Relevance).</p> <p>4. Tuen tuloksellisuus (Effectiveness) maatasolla on ollut vaihtelevaa. Tansanian metsäohjelmat saavuttivat hyviä tuloksia; ohjelmien alasajo Sambiassa vaikutti haitallisesti tuloksiin; ja tulokset Keniassa olivat rajalliset.</p> <p>5. Tulokset koskien ihmisoikeusperusteisuutta, sukupuolten tasa-arvoa ja syrjimättömyyden vähentämistä olivat vaihtelevia kaikissa tapaustutkimuksen kohteena olleissa maissa.</p> <p>6. Tulokset koskien ilmastonmuutoksen vähentämistä ja siihen sopeutumista olivat vaihtelevia kaikissa tapaustutkimuksen kohteena olleissa maissa.</p> <p>7. Yksityisen sektorin instrumenttien kautta menevä tuki oli tyydyttävästi linjassa Suomen kehityspolitiikan kanssa; mutta kumppanimaiden tarpeiden näkökulmasta niiden tarkoituksenmukaisuus vaihteli instrumentin mukaan.</p> <p>12. Tuki energiasektorille, innovaatioihin, verotukseen ja naisten taloudelliseen voimaantumiseen oli tarkoituksenmukaista ja vastasi lähes aina sekä Suomen kehityspolitiikan tavoitteita että kumppanimaiden tarpeita.</p>	<p>2. Vaihtelevista tuloksista huolimatta, ulkoministeriön käyttämät lähestymistavat, instrumentit ja hankkeet ovat pääasiallisesti tarkoituksenmukaisia ja tuloksellisia.</p>	<p>5. Talouden kehittämisen, työpaikkojen lisäämisen ja elinolojen parantamisen hankeportfolion johdonmukaisuutta vahvistetaan eri osastojen ja lähetystöjen välisellä yhteistyöllä. Toimintaa kehitetään kokonaisvaltaisempaan suuntaan omaksumalla ekosysteemiperustainen lähestymistapa. Mallia testataan luomalla usean lähestymistavan tiivis hanke- tai ohjelmakokonaisuus monia eri avunkanavia käyttäen tietyn teeman ympärille yhdessä maassa.</p>



Löydökset	Johtopäätökset	Suosituks
Strateginen taso		
<p>13. Tuki energiasektorille, innovaatioihin, verotukseen ja naisten taloudelliseen voimaantumiseen oli pääasiallisesti tuloksellista. Verotuksen osalta suunniteltu Suomen Verotus ja kehitys -toimintaohjelman 2020–2023 monitorointi ja raportointi väline ei ole valmistunut. Vastavia erityisiä välineitä tuloksellisuuden arvioimiseen ei ole muillakaan sektoreilla.</p> <p>26. Talouden vahvistamisen hankesalkku vastaa vain rajoitetusti koronaviruspandemian aiheuttamiin taloudellisiin seurauksiin kumppanimaissa. Innovaatiohankkeet ovat tästä poikkeus, ja ne voisivat tulevaisuudessa toimia merkittävästi tähän liittyvien maailmanlaajuisten haasteiden voittamiseksi.</p>		
<p>21. Taloudellisen kehityksen toimintatapoja tai strategiaa toteuttaessa, ulkoministeriön tulisi organisoida rakenteensa niin, että se palvelee strategian päämääriä.</p> <p>23. Kahdenvälisen yhteistyön vähentyessä Suomen mahdollisuudet muodostaa vahvoja eri sektoreihin tai maantieteellisiin alueisiin liittyviä kumppanuuksia maatasolla pienenevät. Niiden muodostaminen perustuu vahvaan läsnäoloon maassa. Kumppanuudet monenvälisen järjestöjen kanssa vähentävät Suomen kontrollia ja kansallisten intressien toteutumista, mutta toisaalta ne avaavat uusia mahdollisuuksia.</p> <p>25. Taloudellisen kehityksen vahvistamisen hankesalkussa Suomen kansalliset kaupalliset ja ulkopoliittiset intressit ovat vain heikosti havaittavissa. Näin ollen strategian laatimista ja resursointia koskevat haasteet tulisi ratkaista.</p>	<p>7. Ulkoministeriön yleinen pyrkimys kanavoida tukea monenkeskisten järjestöjen kautta ja käyttää useita muitakin kanavia avaa uusia mahdollisuuksia. Tämä toimintatapa on kuitenkin myös yhteydessä siihen, että lähetystöt ovat aliresursoituja. Se rajoittaa lähetystöjen mahdollisuuksia tukea yksityissektorin osallistumista ja lähetystöjen kykyä optimaalisesti tukea nimenomaan talouden kehittämiseen pyrkiviä toimia kumppanimaissa.</p> <p>8. Sekä kahden- että monenväliset hankkeet tarjoavat mahdollisuuksia luoda hyödyllisiä kumppanuuksia maatasolla. Tämä pätee myös yksityissektorin rahoitusmekanismeihin ja yrityksiin. Näitä mahdollisuuksia ei kuitenkaan ole juurikaan käytetty.</p>	<p>6. Jatketaan investointeja kahdenvälisiin hankkeisiin strategisilla sektoreilla, joita erityisesti ovat metsäsektori, innovaatiot ja yksityisen sektorin vahvistaminen.</p> <p>7. Syvennetään yhteistyötä monenvälisen järjestöjen toteuttamien hankkeiden kanssa erityisesti maatasolla ja lisätään kumppanuutta EU:n rahoittamien toimien kanssa.</p>



Sammanfattning

Inledning. Syftet med denna utvärdering av Finlands stöd till ekonomisk utveckling, ökade arbetstillfällena och näringsgrenar var att hjälpa Utrikesministeriet (UM) identifiera de mest framgångsrika insatserna, samt att öka förståelsen för centrala utmaningar i detta sammanhang. Vidare undersökte utvärderingen Finlands **styrkor och svagheter** för att förbättra framtida utvecklingssamarbete med partnerländer och institutioner inom ekonomisk utveckling, ökade arbetstillfällena och näringsgrenar. Utvärderingen bedömde hur Finlands målsättningar för prioriteringsområdet 2 (PO2) och andra delar i utvecklingspolitiken 2016 som berör ekonomisk utvecklingen hade uppnåtts genom olika tematiska angreppssätt, samarbetsmetoder och finansieringsinstrument. En väsentlig aspekt av utvärderingen var att ge vägledning i hur Finland kan anpassa sina framtida satsningar, och att i det sammanhanget föreslå hur Finland bäst kan skapa mervärde inom givarsamarbetet, med hänsyn till den arbetsfördelning som gäller.

Målen för utvärderingen omvandlades till tre **centrala utvärderingsfrågor (EQ)**:

- EQ1** I vilken utsträckning och hur uppnås målen för det prioriteringsområdet 2 om ekonomisk utveckling, arbetstillfällena och näringsgrenar, och hur relevanta och effektiva har insatserna varit i förhållande till samarbetsländernas behov?
- EQ2** Vad kan UM lära sig av sina systerorganisationer, särskilt i de nordiska grannländerna, och av internationell ”god praxis”, för att uppnå ett mer relevant, effektivt och samordnat stöd för ekonomisk utveckling, arbetstillfällena och näringsgrenar?
- EQ3** Hur kan effektiviteten i det finländska utvecklingssamarbetet inom ekonomisk utveckling förbättras, särskilt i fråga om resultathantering vad gäller prioriteringsområdet 2?

Omfattning. Utvärderingen fokuserade på perioden från 2016, då den nuvarande utvecklingspolitiken antogs, och fram till slutet av 2019, men hänsyn togs även till några insatser som Finland har bidragit till under en längre tid. I ett formativt syfte omfattade utvärderingen även utvalda insatser som startat 2020 eller som för närvarande befinner sig i en uppstartsfas. I utvärderingen ingick även Finlands privatsektorinstrument (PSI) och vissa kopplingar och beroendeförhållanden mellan PO2 och andra prioriteringsområden för utvecklingspolitiken.

Tillvägagångssätt och metoder. Eftersom utvärderingen var strategisk och framåtblickande var angreppssättet att både utvärdera resultaten av tidigare insatser, dvs. ”vad som har varit”, och att dra lärdom av detta för framtiden, dvs. att identifiera och föreslå ”vad som kunde vara” utöver det som redan sker. Utvärderingen bestod av flera delar. Delarna som fastställer nuläget och resultaten av tidigare insatser var fallstudier i Kenya, Tanzania och Zambia, en studie av privatsektorinstrument, samt tematiska bilagor om energi, innovation, beskattning och kvinnors ekonomiska egenmakt. En analys av god praxis och en peer review av de utvalda nordiska ländernas stöd till ekonomisk utveckling understödde analysen av ”vad som kan vara”. En blandning av olika metoder och en iterativ strategi användes där flera bevisströmmar (utvärderingens olika delar) möjliggjorde triangulering av både data och analys av resultaten.

Sekundärdata. Utvärderingen bygger på tillgänglig resultatrapportering från olika slags insatser, program och projekt, inklusive utvärderingar av de finska PSI. **Primärdata** samlades in via Key Informant Interviews (KII) med UM, PSI och partners och andra intressenter; och med representanter för regeringen, den privata sektorn och civilsamhället i fallstudieländerna. Totalt intervjuades 164 informanter i Finland, Kenya, Tanzania, Zambia och andra platser som Genève och Wien.



Begränsningar på grund av Covid-19-utbrottet. På grund av COVID-19-pandemin gjordes inga besök i fallstudieländerna, projektbesök eller intervjuer/fokusgrupper (FGD) med målgrupper. I stället anlätades erfarna experter i fallstudieländerna. Dessa hade ett nära samarbete med utvärderingsteamet för att identifiera och intervjua informanter och samla in relevant information. På samma sätt genomfördes samtliga intervjuer med UM och PSI-personal i Helsingfors samt partners och intressenter på global nivå via telefon eller via digitala plattformar. Detsamma gällde alla möten med EVA-11, referensgruppen, annan personal inom UM-ledningen, ambassader och landbaserade teams.

Resultat. Utvärderingen utmynnade i 29 centrala resultat som berör de tre utvärderingsfrågorna (EQ), och deras 13 underfrågor. Denna sammanfattning ger de övergripande svaren på de viktigaste EQ och sammanfattar resultaten vis-a-vi underfrågorna. För en detaljerad översikt av resultaten, se bifogad tabell över resultat, slutsatser och rekommendationer.

Finlands stöd för att stärka samarbetsländernas ekonomiska utveckling, sysselsättning och försörjning.

Relevans. De insatser som utvärderades i Kenya, Tanzania och Zambia stämmer väl överens med de flesta utvecklingsutmaningar som dessa länder står inför. Stöd till energisektorn, innovation, beskattning och kvinnors ekonomiska egenmakt uppfyllde i allmänhet både målen för Finlands utvecklingspolitik och samarbetsländernas behov. Stöd kanaliserat via privatsektorinstrument (PSI) låg i linje med Finlands utvecklingspolitik men varierade med avseende på relevans för samarbetsländernas behov, beroende på vilket instrument som användes.

Effektivitet. Det finns många bra exempel på stöd till samarbetsländernas ekonomiska utveckling, ökade arbetstillfällen och näringsgrenar inom finskt utvecklingssamarbete. Bilaterala innovationsprojekt (i Tanzania och Vietnam) och Tanzanias privata-skogsbruksprogram uppnådde till exempel goda resultat. Dessutom ledde de åtgärder som vidtogs av UM:s handelspolitiska enhet för att främja kvinnors ekonomiska egenmakt till positiva förändringar. Åtgärder inom de tematiska områdena innovation och beskattning inom energisektorn var i allmänhet också effektiva.

Å andra sidan fanns det brister i genomförandefaserna för vissa projekt, resultat var i vissa fall fragmenterade, och inte alla möjligheter till operativ utveckling utnyttjades. Resultaten av projekt i Zambia och Kenya var också begränsade. I Zambia har Finlands fokus flyttats från utvecklingssamarbete till att stärka kommersiella relationer. Denna process har emellertid inte ännu lett till de önskade resultaten, framförallt till följd av brist på resurser och planering för övergångsperioden.

Resultaten som genererades av privatsektorinstrument var bristfälliga. Undantaget var Finfund, som i stort visade sig vara ett framgångsrikt instrument. Utöver Finfund tittade utvärderingen på Finland - IFC Blended Finance for Climate Change (FIBFC), Finnpartnership, Business with Impact (BEAM), investeringsstödet till utvecklingsländer (PIF) och Kyrkans Utlandshjälp, Finn Church Aid Investments (FCAI). Den största svagheten var att dessa instrument inte tillförsäkrade kontinuitet i finans- och supporttjänster, som skulle ha möjliggjort en gradvis tillväxt av företag eller kommersialisering av innovationer.

Resultaten var också blandade när det gäller att främja ett rättighetsperspektiv, jämställdhet, en minskning av ojämlikheter, och klimathållbarhet.

Koherens. UM har stärkt koherensen i sitt utvecklingssamarbete de senaste åren genom att till exempel göra särskilda prioriteringar för utvecklingspolitiken, och länka landstrategiernas målsättningar till dessa. Enligt utvärderingen var målen för de enskilda projekten i linje med dessa



bredare mål. Även om genomförandet av den finska handlingsplanen för beskattning och utveckling 2020–2023 var ytterligare ett steg i rätt riktning, var den strategisk vägledningen i allmänhet otillräcklig och detta återspeglades i bristande koherens. Svagheter i handlingsplanen är att målet är att stärka den fackmässiga kapaciteten hos samarbetsländernas skattemyndigheter utan att ta itu med brister i styrningen.

Globala trender och lärdomar från andra nordiska givare

En granskning av globala trender och erfarenheter från de utvalda nordiska länderna visade att stärkandet av samarbetsländernas ekonomier och samarbete med den privata sektorn kräver en helhetssyn. Flera inbördes beroende faktorer påverkar resultatet av dessa ansträngningar. Det är särskilt viktigt att definiera i vilken utsträckning insatser förväntas uppnå konkreta och mätbara resultat för fattigdomsminskning. Detta innebär att klargöra finska företags roll inom privatsektorutveckling i samarbetsländerna. Analysen lyfter också fram vikten av att definiera givarlandets prioriteringar vad gäller:

- Geografiska områden (särskilt beslutet om att investera i fragila kontexter);
- Sektorer (som landsbygdsutveckling eller förnybar energi);
- Tvärgående målsättningar och teman (såsom jämställdhet, icke-diskriminering, klimatförändring, ungdom eller konfliktkänslighet);
- Tillvägagångssätt som används vid genomförande (såsom Aid for Trade, Market Systems Development eller Value Chain Approach);
- Biståndsmekanismer (t.ex. finansieringsformer för den privata sektorn eller samarbete med multilaterala organisationer)

Dessutom bör en policy för ekonomisk utveckling och privata sektorns deltagande beskriva hur arbetet organiseras i givarorganisationen; till exempel om expertis är decentraliserad till olika avdelningar eller koncentrerad till en specifik enhet. Slutligen ska en relevant uppföljnings-, utvärderings-, inlärnings- och kommunikationsstrategi säkerställa att resultaten mäts, dokumenteras och används av centrala intressenter.

Finlands utvecklingspolitik har inte tillräckligt definierat de ovan nämnda områdena, vilket har lett till en fragmentering av verksamheten.

Slutligen kommer en minskning av bilaterala projekt leda till färre möjligheterna för starka partnerskap på landnivå. Multilateralt samarbete erbjuder många möjligheter, men i vissa fall kan det försvaga Finlands förmåga att påverka mål på landnivå.

Förbättrad effektivitet och resultatbaserad hantering

Utvärderingens resultat visar att UM behöver en policy för ekonomisk utveckling och den privata sektorns deltagande för att stödet till samarbetsländerna ska bli mer koherent och effektivt. Samspillet mellan Finlands utrikes- och säkerhetspolitik och handels- och utvecklingspolitiken bör uppmärksammas. Strategin bör också innehålla riktlinjer för resurstilldelning och partnerskap; och det är viktigt att inkludera en konkret plan för genomförandet av strategin.

Det är dessutom nödvändigt att ta itu med specifika frågeställningar som försvårar ett sammanhängande och effektivt samarbete. Detta inkluderar att definiera och samordna privata företags roll i utvecklingssamarbetet, överväga huruvida fattigdomsbekämpning bör vara ett primärt eller långsiktigt mål, ta itu med effekterna av COVID-19-pandemin, och överväga hur kvinnors ekonomiska egenmakt ska hanteras. UM:s kapacitet vad gäller resultatshantering och personal inom de områden som denna utvärdering granskat var inte optimal.



Slutsatser. Av dessa resultat drogs åtta slutsatser.

Styrkor och möjligheter:

1. UM har utvecklat lovande förslag som är inriktade på att öka koherensen i portföljen för ekonomisk utveckling, ökade arbetstillfällena och näringsgrenar, men betydande förbättringar behövs fortfarande i detta sammanhang (detta diskuteras ytterligare i slutsats 3).
2. Även om resultaten är blandade är de flesta av UM:s tillvägagångssätt, instrument och insatser relevanta och effektiva.

Förbättringsområden:

3. Brist på strategiskt ledarskap - i synnerhet vad gäller en omfattande policy och strategi - i syfte att stärka portföljen för ekonomisk utveckling och den privata sektorns deltagande, har haft en negativ inverkan på helhetens interna och externa koherens och resultat.
4. Ur företags, icke-statliga organisationers och andra aktörers perspektiv finns det luckor i finansieringsmekanismer för den privata sektorn som begränsar deras förmåga att ta fram effektiva och utvecklingsorienterade affärsmodeller.
5. För att försäkra en bra övergång från utvecklingssamarbete till kommersiella (och andra) förbindelser krävs att en strategi tas fram och tillämpas i god tid och att tillräckliga resurser tilldelas denna process, vilket tillsvidare inte har varit fallet i Finlands stöd till Zambia.
6. Resultatstyrning har begränsats av utmaningar kopplade till utformningen av både PO2-portföljen och den mer omfattande portföljen för ekonomisk utveckling, arbetstillfällena och näringsgrenar, utspridd och motsägelsefull data, samt oklarhet beträffande resultatramverkets roll och utformning.
7. Ambassaderna är under-bemannade, vilket begränsar deras förmåga att stöda den privata sektorns deltagande, och spelar inte alltid en optimal roll i hanteringen av portföljen för ekonomisk utveckling, arbetstillfällena och näringsgrenar. Detta är delvis kopplat till Finlands benägenhet att kanalisera bistånd genom multilaterala organisationer och fördela resurser via flera kanaler, vilket visserligen också öppnar upp för nya möjligheter.
8. Medan programmering av både det bilaterala och det multilaterala utvecklingssamarbetet skulle kunna ge bra möjligheter för ett bättre samarbete kring resultat - inklusive med instrumenten för den privata sektorn och företag i allmänhet - är dessa möjligheter till stor del underutnyttjade.

Rekommendationer. Baserat på dessa slutsatser formulerades sju rekommendationer.

Fyra strategiska rekommendationer som fokuserar på strategiskt ledarskap i form av en policy, riktlinjer och resultatshantering:

1. Utveckla en omfattande, sammanhängande och handlingsbar policy för ekonomisk utveckling och den privata sektorns deltagande.
2. Utveckla praktiska riktlinjer för privatsektorinstrument (PSI) som bifogas policyn för ekonomisk utveckling och privata sektorns deltagande. I detta sammanhang, vidta även andra åtgärder som krävs för att öka PSI:s koherens och effektivitet.
3. Tillförsäkra att övergången från utvecklingssamarbete till starkare kommersiella relationer blir ett centralt fokus för hela UM och dess partners. Överväg att använda bilaterala innovationsprogram för att bygga partnerskap och skapa lika villkor för finska företag och tillhandahåll program för beskattning för att göra landets inhemska resursmobilisering (DRM) effektivare.
4. Länka genomförandet av den rekommenderade strategin för ekonomiska utveckling och den privata sektorns deltagande med att stärka resultatstyrningen i portföljen.



Tre operativa rekommendationer som ger vägledning om metoder för genomförande, mekanismer och hur arbetet ska hanteras inom UM:

5. Gör genomförandet av portföljen för ekonomisk utveckling, arbetstillfällen och näringsgrenar mer sammanhängande genom att stärka samarbetet mellan avdelningar och ambassader, och genom att överväga att använda ett mer holistiskt angreppssätt, till exempel en ekosystem-strategi. Börja med ett pilotprojekt.
6. Fortsätt/öka investeringarna i direkta, bilaterala program i utvalda, strategiska sektorer, särskilt skogsbruk, innovation och utveckling av den privata sektorn.
7. Skapa och utnyttja möjligheter för att öka partnerskap och samarbete med multilateral programmering, särskilt på landnivå, och överväg att öka partnerskap med EU.

Utvärderingsrapporten består av huvudrapporten med bilagor (uppdelat på totalt fyra volymer). Bilagorna innehåller landspecifika bedömningar, en studie av privatsektorinstrumenten, tematiska analyser och annan detaljerad information.



De viktigaste resultaten, slutsatserna och rekommendationerna

Resultat	Slutsatser	Rekommendationer
Strategisk nivå		
<p>1. Medan landstrategier och finansierade insatser i alla fallstudieländer (Kenya, Tanzania och Zambia) är i linje med det övergripande, finska policyramverket har koherensen i genomförandet varit begränsad.</p> <p>8. Bristen på övergripande strategisk vägledning vad gäller PSI, och avsaknad på konsekvent styrning, har haft en negativ påverkan på måluppfyllelsen hos de bedömda PSI.</p> <p>11. I allmänhet uppfyller portföljen av de utvärderade privatsektorinstrumenten UM: s riktlinjer och mål. Vägledning, policyer och verktyg var samstämmiga i dessa fall.</p> <p>14. De utvärderade tematiska områdena saknade en strategi för att samordna och konsolidera satsningar, inklusive gentemot instrument för den privata sektorn, vilket begränsar koherensen. "Skatte- och utvecklings-handlingsprogrammet" var ett undantag, men eftersom detta fokuserar på att bygga upp kompetensen hos skattemyndigheter omfattas inte frågor som har att göra med brister i god förvaltning.</p> <p>15. Finland har varken en policy eller en strategi för ekonomisk utveckling och privata sektorns deltagande. Framtagandet av en sådan policy eller strategi bör baseras på ett koherent och omfattande ramverk av ömsesidigt beroende beståndsdelar.</p> <p>16. En utgångspunkt för framtagandet av ett policy-ramverk är tydliga målsättningar. Förväntningar på konkreta och mätbara resultat för fattigdomsbekämpning och den privata sektorns roll, dvs. inhemska företag, behöver särskilt tydliggöras.</p> <p>17. I framtagandet av en policy för ekonomisk utveckling och privata sektorns deltagande är valet av geografiskt fokus, globalt och inom samarbetsländer, en central faktor som avgör gränserna för ekonomisk utveckling och strategin för privatsektormedverkan. UM måste ta ställning om fragila kontra icke-fragila kontexter, de minst utvecklade länderna (LDC) kontra medelinkomstländer, långsiktiga samarbetsländerna kontra andra länder, och landsbygd kontra urbana kontexter.</p>	<p>1. UM har utvecklat lovande förslag som är inriktade på att öka koherensen i portföljen för ekonomisk utveckling, ökade arbetstillfällen och näringsgrenar, men betydande förbättringar behövs fortfarande i detta sammanhang (detta diskuteras ytterligare i slutsats 3).</p> <p>3. Brist på strategiskt ledarskap – i synnerhet vad gäller en omfattande policy och strategi – i syfte att stärka portföljen för ekonomisk utveckling och den privata sektorns deltagande, har haft en negativ inverkan på helhetens interna och externa koherens och resultat.</p>	<p>1. Utveckla en omfattande, sammanhängande och handlingsbar policy för ekonomisk utveckling och den privata sektorns deltagande.</p>



Resultat	Slutsatser	Rekommendationer
Strategisk nivå		
<p>18. I processen med att ta fram ett policy-ramverk står Finland inför komplexa, ständigt föränderliga och sammanhängande utmaningar när det gäller valet av sektorer och överväganden om tvärgående teman. Politiska beslut bör tas inom ramen för en långsiktig vision, ofta i avsaknad av förhandsinformation om vad som fungerar.</p> <p>19. I processen med att ta fram ett policy-ramverk bör Finland tydligt ange preferenser vad gäller förhållningsättet till ekonomisk utveckling och privata sektorns deltagande med tanke på olika metoders policy-konsekvenser.</p> <p>24. Koherensen och effektiviteten i portföljen för ekonomisk utveckling, arbetstillfällen och näringsgrenar verkar, i synnerhet, begränsas av obesvarade, grundläggande frågor relaterade till hur målsättningarna för portföljen ska uppnås.</p>		
<p>9. Det finns stora skillnader i de policyer och verktyg som UM använder och hur rigorös man har varit med styrning och kontroll från en PSI till en annan. Detta har påverkat vissa PSI oproportionerligt.</p> <p>10. PSI bidrar inte på ett kontinuerligt sätt med stöd, finansiering och tjänster för företagens tillväxt eller kommersialisering av deras innovationer.</p> <p>20. I processen med att ta fram nya PSI eller andra metoder för genomförandet av en framtida policy för ekonomisk utveckling och privata sektorns deltagande bör UM tillförsäkra att de nuvarande och nya instrumenten och mekanismerna kompletterar varandra. UM bör även förtydliga motivet bakom olika modeller för partnerskap och förstå den föränderliga kontexten för riskhantering i förhållande till nya former av partnerskap.</p>	<p>4. Ur företags, icke-statliga organisationers och andra aktörers perspektiv finns det luckor i finansieringsmekanismer för den privata sektorn som begränsar deras förmåga att ta fram effektiva och utvecklingsorienterade affärsmodeller.</p>	<p>2. Utveckla praktiska riktlinjer för privatsektorinstrument (PSI) som bifogas policyn för ekonomisk utveckling och privata sektorns deltagande. I detta sammanhang, vidta även andra åtgärder som krävs för att öka PSI:s koherens och effektivitet.</p>
<p>3. Till följd av begränsningar i strategi och resurser har övergången från utvecklingssamarbete till kommersiella relationer i Zambia hittills effektivt skurit ner utvecklingssamarbetet men inte resulterat i den önskade ökningen av finsk-zambiska handelsförbindelser.</p> <p>27. När det gäller innovationer, har partnerskapsprogrammet för innovationer (IPP) bidragit till att stärka vietnamesiska partners som nu har en viktig roll i att utveckla och stärka nya band mellan de två länderna.</p> <p>28. Eftersom beskattning är en viktig del av Finlands portfölj kan stärkandet av inhemsk resursmobilisering (DRM) i ett övergångsland från utvecklingssamarbete till kommersiella förbindelser hjälpa till att överbrygga det resursgap som uppstår när Finlands utvecklingssamarbete minskar.</p>	<p>5. För att försäkra en bra övergång från utvecklingssamarbete till kommersiella (och andra) förbindelser krävs att en strategi tas fram och tillämpas i god tid och att tillräckliga resurser tilldelas denna process, vilket tillsvidare inte har varit fallet i Finlands stöd till Zambia.</p>	<p>3. Tillförsäkra att övergången från utvecklingssamarbete till starkare kommersiella relationer blir ett centralt fokus för hela UM och dess partners. Överväg att använda bilaterala innovationsprogram för att bygga partnerskap och skapa lika villkor för finska företag och tillhandahåll program för beskattning för att göra landets inhemska resursmobilisering (DRM) effektivare.</p>



Resultat	Slutsatser	Rekommendationer
Strategisk nivå		
<p>22. Det finska stödet till ekonomisk utveckling, arbetstillfällena och näringsgrenar står inför liknande utmaningar vad gäller uppföljning, utvärdering och lärande som stödet till andra områden, t.ex. i fråga om bedömning av resultat och effekter, tillgänglighet av baslinjedata och orsakssamband. Specifika egenskaper inkluderar valet av indikatorer, till exempel hur man mäter sysselsättningskapande åtgärder kontra inkomstförändringar.</p> <p>29. UM:s resultatstyrning (RBM) inom portföljen för ekonomisk utveckling, arbetstillfällena och näringsgrenar är inte optimal. Det finns brister i användandet av RBM och beslutsprocesser. Det finns också frågor som rör personalkapacitet och resurser, brist på ledarskap i form av relevanta policyer och strategier, och problematiska formuleringar i resultatramverket.</p>	<p>6. Resultatstyrning har begränsats av utmaningar kopplade till utformningen av både PO2-portföljen och den mer omfattande portföljen för ekonomisk utveckling, arbetstillfällena och näringsgrenar, utspridd och motsägelsefull data, samt oklarhet beträffande resultatramverkets roll och utformning.</p>	<p>4. Länka genomförandet av den rekommenderade strategin för ekonomiska utveckling och den privata sektorns deltagande med att stärka resultatstyrningen i portföljen.</p>
<p>2. De utvärderade insatserna är i hög grad relevanta i förhållande till fallstudieländernas behov. Relevansen har dock lidit av prioriteringen av kommersiella relationer istället för utvecklingspartnersamarbete och landets behov i Zambia-fallet, den begränsade omfattningen av insatserna i Kenya, och osäkerhet när det gäller att tillgodose de fattigastes behov i Tanzania.</p> <p>4. Blandade resultat har uppnåtts när det gäller att förbättra förutsättningar för sysselsättning och näringsgrenar i alla fallstudieländer. Skogsbruksprogrammet i Tanzania verkar ha varit effektivt; avslutandet av program har påverkat resultatuppfyllelsen i Zambia negativt; och Finlands resultat i Kenya har varit begränsade i omfattning.</p> <p>5. Finlands insatser i de olika fallstudieländerna har lett till blandade resultat när det gäller att främja rättighetsperspektivet och jämställdhet samt minska ojämlikheten.</p> <p>6. Finlands insatser i de olika fallstudieländerna har visat blandade resultat när det gäller att ta itu med klimatförändringar och klimatanpassning.</p> <p>7. Även om alla PSI har varit förhållandevis relevanta i förhållande till de finländska utvecklingspolitiska målen, har de i olika grad varit relevanta när det gäller att svara mot samarbetsländernas behov.</p> <p>12. Finlands program inom energi, innovation, beskattning, och kvinnors ekonomiska egenmakt är i nästan samtliga fall mycket relevant för den finländska utvecklingspolitiken och samarbetslandets behov.</p> <p>13. Finlands stöd till energi, innovation, beskattning, och kvinnors ekonomiska egenmakt har i allmänhet varit effektivt. Inom skatteprogrammet togs aldrig ett planerat uppföljnings- och rapporteringsverktyg i bruk för handlingsplanen 2016, och det fanns inte heller specifika verktyg för att bedöma effektiviteten i de andra sektorerna.</p>	<p>2. Även om resultaten är blandade är de flesta av UM:s tillvägagångssätt, instrument och insatser relevanta och effektiva.</p>	<p>5. Gör genomförandet av portföljen för ekonomisk utveckling, arbetstillfällena och näringsgrenar mer sammanhängande genom att stärka samarbetet mellan avdelningar och ambassader, och genom att överväga att använda ett mer holistiskt angreppssätt, till exempel en ekosystemstrategi. Börja med ett pilotprojekt.</p>



Resultat	Slutsatser	Rekommendationer
Strategisk nivå		
<p>26. Medan Finlands portfölj för ekonomisk utveckling, arbetstillfällen och näringsgrenar generellt sett endast i begränsad omfattning svarar mot det behov samarbetsländer har i fråga om hanteringen av de ekonomiska konsekvenserna av COVID-19, utgör den del av portföljen som har att göra med innovationer ett undantag och kan hjälpa till att hantera framtida globala förändringar på detta område.</p>		
<p>21. I genomförandet av en policy eller strategi för ekonomisk utveckling och privata sektorns deltagande, bör UM organisera sina enheter/teams så att strukturen understödjer policyns målsättningar.</p> <p>23. Med färre bilaterala program minskar Finlands möjligheter att använda sin betydande närvaro inom vissa sektorer och geografiska områden som en utgångspunkt för partnerskap. Samarbete med givare till multilaterala organisationer kan å ena sidan begränsa Finlands kontroll och nationella intressen, å andra sidan ge nya möjligheter.</p> <p>25. Finlands nationella intressen – som kommer till uttryck i kommersiella och utrikespolitiska intressen och ambitionen att skapa mervärde – återspeglas endast i blygsam omfattning i portföljen för ekonomisk utveckling, arbetstillfällen och näringsgrenar, och i de faktorer som påverkar den, i fråga om strategi och resurser.</p>	<p>7. Ambassaderna är underbemänskade, vilket begränsar deras förmåga att stöda den privata sektorns deltagande, och spelar inte alltid en optimal roll i hanteringen av portföljen för ekonomisk utveckling, arbetstillfällen och näringsgrenar. Detta är delvis kopplat till Finlands benägenhet att kanalisera bistånd genom multilaterala organisationer och fördela resurser via flera kanaler, vilket visserligen också öppnar upp för nya möjligheter.</p> <p>8. Medan programmering av både det bilaterala och det multilaterala utvecklingssamarbetet skulle kunna ge bra möjligheter för ett bättre samarbete kring resultat – inklusive med instrumenten för den privata sektorn och företag i allmänhet – är dessa möjligheter till stor del underutnyttjade.</p>	<p>6. Fortsätt/öka investeringarna i direkta, bilaterala program i utvalda, strategiska sektorer, särskilt skogsbruk, innovation och utveckling av den privata sektorn.</p> <p>7. Skapa och utnyttja möjligheter för att öka partnerskap och samarbete med multilateral programmering, särskilt på landnivå, och överväg att öka partnerskap med EU.</p>



Summary

Introduction. This evaluation of Finland's support to Economic Development, Job Creation and Livelihoods aimed to assist the MFA in identifying its most successful interventions as well as developing a comprehensive understanding of related challenges. Furthermore, the evaluation assessed Finland's **strengths and weaknesses** in order to improve future development cooperation with partner countries and institutions in the area of economic development, job creation and livelihoods. It considered how Finland's objectives related to the Priority Area 2 (PA2) and other elements of economic development in the 2016 Development Policy had been fulfilled through the various thematic approaches, cooperation modalities and funding instruments. An essential aspect of the evaluation was to provide guidance on how Finland might tailor its efforts in the future, and elaborating on how Finland can best add value to the joint efforts of the donor community within the latter's division of labour.

The evaluation **objectives** also formed the **main evaluation questions (EQs)**. They were as follows:

- EQ1** To what extent and how are the objectives of the Priority Area 2 on economic development, jobs and livelihoods being achieved and how relevant and effective have the interventions been in relation to partner country needs?
- EQ2** What can the Ministry of Foreign Affairs learn from its peer organisations, especially the Nordics, as well as from emerging international 'best practices' for more relevant, effective and coordinated support for economic development, jobs and livelihood opportunities?
- EQ3** How can the effectiveness of Finnish development cooperation related to economic development be further developed, including if and how the Results-based Management system can be further refined as far as Priority Area 2 is concerned?

Scope. The evaluation focused on the period from the establishment of the 2016 Development Policy until the end of 2019 but considered some interventions that Finland has been supporting over a longer time period. As a forward-looking exercise, the evaluation also refers to selected interventions that started in 2020 or are currently in the preparation stage. Included in the evaluation were also Finland's Private Sector Instruments (PSI) and certain linkages and interdependencies between the PA2 and other Development Policy Priority Areas.

Approach and Methods. As a strategic, forward-looking evaluation, the approach was to both take stock of the results of past interventions, i.e. 'what has been' and draw lessons from this for the future, i.e. to identify and suggest 'what could be' happening beyond what is already occurring. The evaluation consisted of several components. The components establishing 'what is' are the Country Case Studies of Kenya, Tanzania and Zambia; the study of PSIs; and the Thematic annexes on Energy, Innovation, Taxation and Women's Economic Empowerment (WEE). An analysis of Best Practices and Peer Review of the of selected Nordic countries' support to economic development further support the analysis of 'what could be'. The evaluation followed a mixed-methods, iterative approach in which multiple streams of evidence in the form of the various evaluation components drive the triangulation of both data and analysis of findings.

Secondary data. The evaluation built upon existing results-reporting from various types of interventions, programmes and projects, including evaluations of the Finnish PSIs. Primary data was collected through Key Informant Interviews with the MFA, PSI and partner staff and stakeholders; and with Government, Private Sector and Civil Society representatives in the Case Study



Countries. In total, 164 informants were interviewed in Finland, Kenya, Tanzania, Zambia and other locations such as Geneva and Vienna.

Limitations because of the Covid-19 outbreak. Due to the COVID-19 pandemic, the evaluation did not include field missions by the core team to the Case Study Countries, nor visits to individual projects or interviews/focus groups with direct beneficiaries. Instead, experienced country experts were engaged to work closely with the core team members in order to identify and interview informants and gather relevant information. Likewise, all interviews with MFA and PSI staff in Helsinki, as well as partners and stakeholders at a global level, were conducted by phone or via online platforms. The same applied to all meetings with EVA-11, the Reference Group, other MFA management staff, Embassies, and country teams.

Findings. The evaluation produced 29 key findings across the three EQs, which were divided into 13 sub-evaluation questions. This narrative summary provides the overall answers to the main EQs and summarises findings against the sub-evaluation questions. For a detailed overview of the findings, refer to the attached table on Findings, Conclusions and Recommendations.

Finland's support for strengthening partner countries' economic development, job creation and livelihoods.

Relevance. The interventions evaluated in Kenya, Tanzania and Zambia responded well to most of the development challenges faced by these countries. Support for the energy sector, innovation, taxation and the economic empowerment of women generally met both the objectives of Finland's development policy and the needs of the partner countries. Support channelled through PSIs was satisfactorily in line with Finland's Development Policy but varied in terms of relevance to partner countries' needs, depending on the instrument.

Effectiveness. Finland's development cooperation has produced many success stories in supporting partner countries' economic development, job creation, and livelihoods. Bilateral innovation projects (in Tanzania and Vietnam) and the Tanzania Private Forestry Programme, for example, achieved good results. Moreover, the measures taken by the MFA's Trade Policy Unit to promote WEE led to positive changes. Actions in the thematic areas of innovation and taxation in the energy sector were also generally effective.

On the other hand, there were shortcomings in the implementation phases of some projects, achievements were in some instances fragmented, and not all opportunities for operational development were exploited. Results from projects in Zambia and Kenya were also limited. In Zambia, Finland's focus has shifted from development cooperation to strengthening commercial relations. However, this process did not produce the desired results, due in particular to a lack of resourcing and planning for the transition process.

The overall results produced by PSIs remained deficient. The exception was Finnfund, which, as a whole, proved to be a successful instrument. In addition to Finnfund, the evaluation assessed the Finland – IFC Blended Finance for Climate Change (FIBFC), Finnpartnership (FP), Business with Impact (BEAM), Public Sector Investment Facility (PIF), and the Finn Church Aid Investments (FCAI). The main weakness was that these instruments did not provide the continuum of finance and support services that would allow for the gradual growth of companies or the commercialisation of innovations.

The results were also mixed in terms of advancing the human rights-based approach, gender equality, reduction of inequality and climate sustainability.

Coherence. The MFA has strengthened the coherence of its development cooperation in recent years by, for example, defining specific priorities for development policy and linking to them the objectives of the country strategies. According to the evaluation, the objectives of the individual projects were in line with these broader objectives. While the completion of the Finnish Tax-



tion and Development Action Plan 2020–2023 was a further step in the right direction, strategic guidance overall was, however, inadequate, and this was reflected in a lack of coherence. The weakness of the Action Plan is that the aim is to develop the technical capacity of partner countries' tax authorities and not to address shortcomings in good governance.

Global trends and lessons learnt by other Nordic donors

An examination of global trends and the experiences of the selected Nordic countries showed that strengthening partner countries' economies and collaborating with the private sector requires a holistic approach. Several interdependent factors affect the outcome of these efforts. In particular, it is essential to define the extent to which interventions are expected to achieve concrete and measurable poverty reduction results. This includes clarifying the role of domestic, Finnish companies versus private sector development in partner countries. The analysis also highlights the importance of defining the donor's priorities in:

- Geographical areas (especially the decision on whether to invest in fragile contexts).
- Supported sectors (such as rural development or renewable energy).
- Cross-cutting objectives and themes (such as gender equality, non-discrimination, climate change, youth or conflict sensitivity).
- Approaches used in implementation (such as Aid for Trade, Market Systems Development or Value Chain Approach).
- Aid modalities (such as PSIs or cooperation with multilateral organisations).

In addition, any policy on economic development and private sector engagement should outline how the work is organised in the funding organisation; for example, whether expertise is decentralised to different departments or concentrated in a specific unit. Finally, a relevant monitoring, evaluation, learning and communication strategy would ensure that results are measured, documented, and used by key stakeholders.

Finland's development policy has not defined the abovementioned areas well enough, which has led to a fragmentation of operations.

Finally, reducing bilateral projects will reduce the opportunities for strong country-level partnerships. Multilateral cooperation offers many opportunities, but, in some cases, it may weaken Finland's ability to influence country-level goals.

Enhancing effectiveness and results-based management

Based on the findings of the evaluation, the development of a policy for economic development and private sector development in the MFA is necessary to render support to partner countries more coherent and effective. Attention should be paid to the interaction between Finland's foreign and security policy, as well as trade and development policy. The strategy should also set out guidelines for resource allocation and partnerships; and it is important to include a concrete roadmap for implementing the strategy.

It is, moreover, necessary to address specific issues that create challenges to coherent and effective cooperation. These include defining and coordinating the role of private companies in the context of development cooperation; considering whether addressing poverty should be an immediate or mid-term objective; addressing the effects of the coronavirus pandemic; and considering how WEE will be approached. The MFA's results-based management and staff resourcing in the subject areas involved in the evaluation were not at optimal level.

Conclusions. From these findings, eight conclusions were drawn.



Strengths and opportunities:

1. The MFA has developed promising elements geared towards increasing coherence of the Economic development, job creation and livelihoods-portfolio. Significant improvements still need to be made in the coherence of the portfolio (this is further discussed in Conclusion 3).
2. While showing mixed results, most of the MFA's approaches, instruments and interventions are relevant and effective.

Areas for improvement:

3. The absence of strategic leadership, notably in a form of a comprehensive policy and strategy, to strengthen economic development and private sector engagement, has negatively affected the portfolio's internal and external coherence, and its effectiveness.
4. Gaps in between the different PSIs from the perspective of companies, NGOs and other partners limit building effective business cases for contributing to the development goals.
5. Transitioning from developing cooperation to commercial (and other) relations requires developing and applying a strategised process prepared well in advance and sufficient resources to support this challenging process, an effort that Finnish support to Zambia so far has not reflected.
6. Challenges in defining the Economic development, jobs and livelihoods portfolio and even only the PA2-portfolio, scattered and inconsistent data and issues pertaining to the role and formulation of the results framework constrain managing for results.
7. Linked to Finland's overall tendencies to channel aid through multilateral organisations and allocate resources through multiple channels, making also interesting new openings, the embassies are both under-staffed which limits their ability to support private sector and not always optimally playing their role in the management of the Economic development, job creation and livelihoods –portfolio.
8. While both bilateral and multilateral programming would provide important opportunities for intensified partnering for results, including with the PSIs and companies, these opportunities remain largely underutilized.

Recommendations. Based on these conclusions, seven recommendations were developed.

Four strategic recommendations focus on the provision of strategic leadership in the form of a policy, guidelines, and managing for results:

1. Develop a comprehensive, coherent and actionable Policy for Economic Development and Private Sector Engagement.
2. Develop practical PSI Guidelines to accompany the Policy for Economic Development and Private Sector Engagement and, in this context, take also other required action to increase the PSIs' coherence and effectiveness.
3. Make transition from development cooperation to an emphasis on commercial relations the business of the whole MFA and its partners. Consider making use of bilateral innovation programmes to build partners and level the playing field for Finnish companies; and providing taxation programming to make the country's DRM more effective.
4. Link implementation of the recommended Economic development and private sector engagement strategy with strengthening of the management for results of the portfolio.



Three operational recommendations serve to guide on implementation approaches, modalities and how the work shall be managed within the MFA:

5. Make implementation of the Economic Development, Job Creation and Livelihoods-portfolio more coherent by strengthening working together across departments and embassies, and by considering making use of more holistic implementation approaches, such as an eco-system approach, and start with a pilot.
6. Continue/increase investing into direct, bilateral programmes in selected, strategic sectors, notably on forestry, innovation, Private Sector Development (PSD).
7. Create and seize opportunities for increasing partnering and collaboration with multi-lateral programming, particularly at the country level, and consider increasing partnering with the EU.

The evaluation report consists of the main report and annexes (split across four volumes in total). The annexes contain country-level assessments, the study on Private Sector Instruments (PSIs), thematic analyses and other detailed information.



Key Findings, Conclusions and Recommendations

Findings	Conclusions	Recommendations
Strategic Focus		
<p>1. While the focus of the Country Strategy and funded interventions was coherent with the overriding Finnish policy framework in all Case Countries (Kenya, Tanzania and Zambia), coherence in the implementation was limited.</p> <p>8. The lack of overall strategic guidance on PSIs, and inconsistencies in current steering arrangements negatively affected the effectiveness of the assessed PSIs.</p> <p>11. Generally, the portfolios of the assessed PS instruments were in line with the guidance and objectives that the MFA has set for them. Guidance, policies and tools were also in line with each other in those cases.</p> <p>14. Plaguing the coherence of the thematic areas assessed was the lack of a strategy aimed at concerting and consolidating their efforts, including vis-à-vis Private Sector Instruments. An exception was the “Tax and Development Action Programme” but, focusing on building the technical capacities of revenue authorities, it did not address issues pertaining to deficits in good governance.</p> <p>15. While Finland does not have a policy nor a strategy on economic development and private sector engagement, developing one should be based on a coherent and comprehensive framework of interdependent elements.</p> <p>16. Starting point for the development of a policy framework is clarity on the objectives. In particular, expectations regarding concrete and measurable poverty reduction results and the role of private sector actors, namely domestic companies, require definition.</p> <p>17. In developing an economic development and private sector engagement policy, the choice of geographic focus, globally and within the partner countries, is a critical element. For the MFA Finland, critical decisions include the position on fragile vs non-fragile contexts, Least Developed Countries (LDC) vs Middle-Income Countries, long-term partner countries vs other countries, and rural vs urban contexts.</p>	<p>1. The MFA has developed promising elements geared towards increasing coherence of the Economic development, job creation and livelihoods-portfolio. Significant improvements still need to be made in the coherence of the portfolio (this is further discussed in Conclusion 3).</p> <p>3. The absence of strategic leadership, notably in a form of a comprehensive policy and strategy, to strengthen economic development and private sector engagement, has negatively affected the portfolio’s internal and external coherence, and its effectiveness.</p> <p><i>(Findings 2–7, 9–10, 12–13, 20–23, 25–26 and 29 also contributed to these conclusions)</i></p>	<p>1. Develop a comprehensive, coherent and actionable Policy for Economic Development and Private Sector Engagement.</p> <p><i>(Conclusion 4, 6 and 8 also contributed to this recommendation)</i></p>



Findings	Conclusions	Recommendations
Strategic Focus		
<p>18. In developing the policy framework, Finland is faced with complex, continually evolving, and interrelated challenges concerning choice of sectors and considerations of cross-cutting themes. Policy decisions require adopting a long-term vision, often in the absence of prior information on what works.</p> <p>19. In developing the policy framework, Finland should state clear preferences in terms of its approach to economic development and private sector engagement given the important policy implications of different methods.</p> <p>24. Coherence and effectiveness of Finland's economic development, jobs and livelihoods portfolio appear to be curbed, in particular, by fundamental questions related to the approaches in addressing the objectives of the portfolio being unresolved.</p>		
<p>9. The sets of policies and tools that the MFA deploys, and its rigorousness in steering and controlling the PSIs varies significantly from one PSI to another. This disproportionately burdens some of the PSIs.</p> <p>10. The PSIs do not provide a continuum of support, finance and services for companies' growth or the commercialisation of their innovations.</p> <p>20. When establishing new PSIs or other modalities to operationalise any future economic development and private sector engagement strategy, MFA should ensure mutual complementarity between the current and new instruments and modalities. The MFA should also define well the rationale behind partnership configurations and understand the evolving context of risk management related to new types of partnerships.</p>	<p>4. Gaps in between the different Private Sector Instruments from the perspective of companies, NGOs and other partners limit building effective business cases for contributing to the development goals.</p> <p><i>(Findings 7–8, 11, 16 and 25 also contributed to this conclusion)</i></p>	<p>2. Develop practical PSI Guidelines to accompany the Policy for Economic Development and Private Sector Engagement and, in this context, take also other required action to increase the PSIs' coherence and effectiveness.</p> <p><i>(Conclusions 3, 6, 7 and 8 also contributed to this recommendation)</i></p>
<p>3. Due to limited strategising and resourcing, the transition from development cooperation to an emphasis on commercial relation in Zambia has thus far not resulted in the desired increase in Finnish-Zambian trade relations while effectively cutting the development cooperation.</p> <p>27. In innovation, the Innovation Partnership Programme (IPP) developed/helped the growth of Vietnamese partners who now play a role in forming and strengthening the new ties between the two countries.</p> <p>28. Taxation being an important part of Finland's portfolio, strengthening the Domestic Resource Mobilisation (DRM) of a country in transition, from development cooperation to an emphasis on commercial relations, could assist the country in bridging any gaps resulting from Finland's decreasing development cooperation.</p>	<p>5. Transitioning from developing cooperation to commercial (and other) relations requires developing and applying a strategised process prepared well in advance and sufficient resources to support this challenging process, an effort that Finnish support to Zambia so far has not reflected.</p> <p><i>(Findings 2, 4–6 and 10 also contributed to this conclusion)</i></p>	<p>3. Make transition from development cooperation to an emphasis on commercial relations the business of the whole MFA and its partners. Consider making use of bilateral innovation programmes to build partners and level the playing field for Finnish companies; and providing taxation programming to make the country's DRM more effective.</p>



Findings	Conclusions	Recommendations
Strategic Focus		
<p>22. In Finnish support to Economic Development, Job Creation and Livelihood, the challenges related to Monitoring, Evaluation and Learning (MEL) are similar to those in any development context, e.g. in terms of assessment of outcomes and impact, availability of baseline data, and attribution issues. Specific characteristics include the choice of indicators; for example, the measurement of job creation vs monitoring changes in income.</p> <p>29. MFA's managing for results of the Economic development, jobs and livelihoods -portfolio is not at an optimal level and issues relate to the weak use of RBM and weaknesses in decision-making processes. There are also issues pertaining to staff strength and resourcing; lack of provision of leadership in the form of appropriate policies, and strategies; and problematic formulations of parts of the results framework.</p>	<p>6. Challenges in defining the Economic development, jobs and livelihoods portfolio and even only the PA2-portfolio, scattered and inconsistent data and issues pertaining to the role and formulation of the results framework constrain managing for results.</p> <p><i>(Findings 1, 3–7, 9, 12–15, 23, 25 and 27–28 also contributed to this conclusion)</i></p>	<p>4. Link implementation of the recommended Economic development and private sector engagement strategy with strengthening of the management for results of the portfolio.</p> <p><i>(Conclusions 1, 3 and 6 also contributed to this recommendation)</i></p>
<p>2. The evaluated interventions show a high degree of relevance to most of the Case Countries' constraints. However, prioritising the transition from development cooperation to an emphasis on commercial relations over the country's needs in Zambia, the limited scale of interventions in Kenya and uncertainties in meeting the needs of the poorest in Tanzania have dented the relevance.</p> <p>4. Effectiveness in improving economies for jobs and livelihoods showed mixed results across the Case Countries. Forestry programming in Tanzania seems to have been effective; discontinuation of programmes has adversely affected the effectiveness of results in Zambia; and Finland's results in Kenya have been limited in scope.</p> <p>5. Finland's interventions across the Case Countries showed mixed results in advancing a Human-Rights Based Approach (HRBA), gender equality and reduction of inequality.</p> <p>6. Finland's interventions across the Case Countries showed mixed results in addressing climate change and adaptation.</p> <p>7. While all the PSIs had at least satisfactory relevance vis-à-vis Finnish development policy goals, there is variance between them when it comes to relevance vis-à-vis partner country needs.</p> <p>12. Finland's programming in energy, innovation, taxation and women's economic empowerment is in almost all cases highly relevant to the Finnish development policy framework and partner country needs.</p> <p>13. Finland's support to energy, innovation, taxation and women's economic empowerment has been widely effective. In taxation, a planned monitoring and reporting tool for the 2016 Action Plan was never constructed nor were there specific tools available for assessing the effectiveness of the other sectors.</p>	<p>2. While showing mixed results, most of the MFA's approaches, instruments and interventions are relevant and effective.</p> <p><i>(Finding 27 also contributed to this conclusion)</i></p>	<p>5. Make implementation of the Economic Development, Job Creation and Livelihoods-portfolio more coherent by strengthening working together across departments and embassies, and by considering making use of more holistic implementation approaches, such as an eco-system approach, and start with a pilot.</p> <p><i>(Conclusions 1, 3, 4, 7 and 8 also contributed to this recommendation)</i></p>



Findings	Conclusions	Recommendations
Strategic Focus		
<p>26. While, generally, Finland's economic development, job creation and livelihoods portfolio shows a rather limited immediate response to supporting partner countries in dealing with the economic consequences of COVID-19, the portfolio's innovation programming is an exception and could lead, in the future to addressing of global changes related to this theme.</p>		
<p>21. In implementing a policy or strategy for economic development and private sector engagement, The MFA Finland should organise its teams in such a way that the structure serves the objectives of the policy.</p> <p>23. With less bilateral programming, Finland reduces the possibility to base strong in-country partnerships on its significant presence in any sector and geographic location. Partnering with donors to multilateral organisations may on the one hand limit Finland's control and national interests, and on the other hand provide new opportunities.</p> <p>25. Finland's national interest – manifested in forms of commercial, adding mutual value, and foreign policy goal interests – is only modestly present in the economic development, job creation and livelihoods portfolio, and the factors hindering it, related to strategising and resourcing.</p>	<p>7. Linked to Finland's overall tendencies to channel aid through multilateral organisations and allocate resources through multiple channels, making also interesting new openings, the embassies are both under-staffed which limits their ability to support private sector and not always optimally playing their role in the management of the Economic development, job creation and livelihoods –portfolio.</p> <p>8. While both bilateral and multilateral programming would provide important opportunities for intensified partnering for results, including with the Private Sector Instruments and companies, these opportunities remain largely underutilized.</p> <p><i>(Findings 20, 26–27 and 29 also contributed to these conclusions)</i></p>	<p>6. Continue/increase investing into direct, bilateral programmes in selected, strategic sectors, notably on forestry, innovation, PSD.</p> <p><i>(Conclusions 2 and 3 also contributed to this recommendation)</i></p> <p>7. Create and seize opportunities for increasing partnering and collaboration with multilateral programming, particularly at the country level, and consider increasing partnering with the EU.</p> <p><i>(Conclusions 2–5 also contributed to this recommendation)</i></p>



1 Introduction

1.1 Evaluation context

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

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

The four Priority Areas set the structure for the 2018 Development Policy Results Report 2018, which covered the period 2015–2018. These Priority Areas are also recognized in the latest Government Programme (2019–2022) and form an important policy framework for this evaluation.

The overriding objective of Priority Area 2 is in support of the UN Agenda 2030 goals 1, 8, 9 and 12. Specifically, the Policy states that the Finnish support should result in the following:

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

In the most recent Theory of Change (ToC) 2020, the stated impact for the Priority Area 2 is "Developing countries' own economies have generated more jobs, livelihood opportunities and well-being". While the expressions of the four outcomes have also been revised, their foundation has remained the same as in the 2016 Development Policy.

1.2 This evaluation

The Evaluation of Finland's support to Economic Development, Job Creation and Livelihood aims to assist the MFA in developing a comprehensive understanding of which the most successful interventions are, as well as related challenges, and thereby identifying Finland's strengths and weaknesses for the purposes of improving future development cooperation with partner countries and institutions in the area of economic development, job creation and livelihoods. It assesses how Finland's objectives related to economic development, job creation and livelihoods, manifested in the Priority Area 2 on economic development, jobs and livelihoods of the 2016



Development Policy, but not only limited to it, are being fulfilled through the various thematic approaches, cooperation modalities and funding instruments. An essential aspect of the evaluation is to provide guidance on how Finland might tailor its efforts in the future, elaborating on how Finland best can add value to the joint efforts and in the division of labour in the donor community.

While the **purpose** of the Evaluation is primarily to be strategic and forward looking, it also assesses accountability to provide evidence of what has been achieved within the timeframe of the Evaluation. However, this is not the main focus and accountability is mainly assessed in terms of functionality of the set targets of the 2016 Development Policy, notably for the PA2. The Evaluation is focused on learning. It endeavours to provide practical and implementable recommendations on how the development cooperation with partner countries and institutions in the area of economic development can be made more relevant, achieve better results and be delivered in a more coherent manner. It is utilisation focused.

The main intended **users** of the evaluation are the MFA headquarters HQ, Finnish embassies and permanent missions. Other important users are the management of the Private Sector Instruments (PSIs), Business Finland (BF) and other Team Finland (TF) members, Finnish governmental agencies taking part in development cooperation, Finland's parliament, Finland's Development Policy Committee, and Finnish civil society organisations (CSO). In addition, the evaluation is expected to be of interest also to other donors in the context of their own economic development activities.

While the expected main use of the evaluation by the MFA Finland and its close partners in the context of economic development, notably the PSI's, is anticipated to be in providing strategic leadership and managing for results of the economic development, job creation and livelihoods -portfolio, the evaluation may also support other on-going processes. These include development of Finland's Africa Strategy, finalisation of the Country Strategies and Country Programmes for Development Cooperation (particularly for Kenya and Tanzania), and preparations for future work, including evaluations, that interlink with the themes and interests of this evaluation, such as transition from development cooperation to an emphasis on commercial relations (particularly in Zambia).

1.3 Evaluation Questions

The evaluation **objectives** also form the **main evaluation questions**. They are as follows:

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

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

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

Focusing on **accountability and learning**, sub-evaluation questions related to the EQ1 consider the coherence, relevance and effectiveness of the MFA's country strategies, approaches and interventions in the selected partner countries, included in transition from development cooperation to an emphasis on commercial relations. They cover Finland's contribution to improving partner countries' economies and provide in particular decent jobs and livelihoods especially for



women, youth and the poor in these countries. They focus on the effectiveness of the Human-Rights Based Approach and cross-cutting objectives of gender equality, reduction of inequality, and climate change mitigation and adaptation.

The EQ1 sub-evaluation questions cover the role, coherence, relevance and effectiveness of the PSI's as well as those of the themes/sectors of specific focus to this evaluation.

Focusing on **learning**, the sub-evaluation questions to EQ2 consider lessons from the Nordic peer organisations' approaches and the emerging international trends to economic development and job creation. They also consider partnerships between Finland's economic development interventions and those of other donors and stakeholders in the selected partner countries and within the specific focus themes of the evaluation.

EQ3 – being **strategic and forward looking**, which is uncommon to evaluations –is somewhat blurring the lines between the EQs, conclusions and recommendations. As a consequence, the report contains future-oriented elements directly in the answers to this EQ, which are then also taken up in the conclusions and recommendations. Its sub-evaluation questions focus on making Finland's overall contribution to economic development, jobs and livelihoods more relevant, coherent and effective; taking better into account Finland's comparative advantages and national interests; improved responses to deal with global changes such as the economic consequences of COVID-19; ensuring that the transition from grant-based aid to commercial relationships is more beneficial both to Finland and the partner country; and lessons to learn for Finland's Results Based Management (RBM) and Knowledge Management.

1.4 Scope

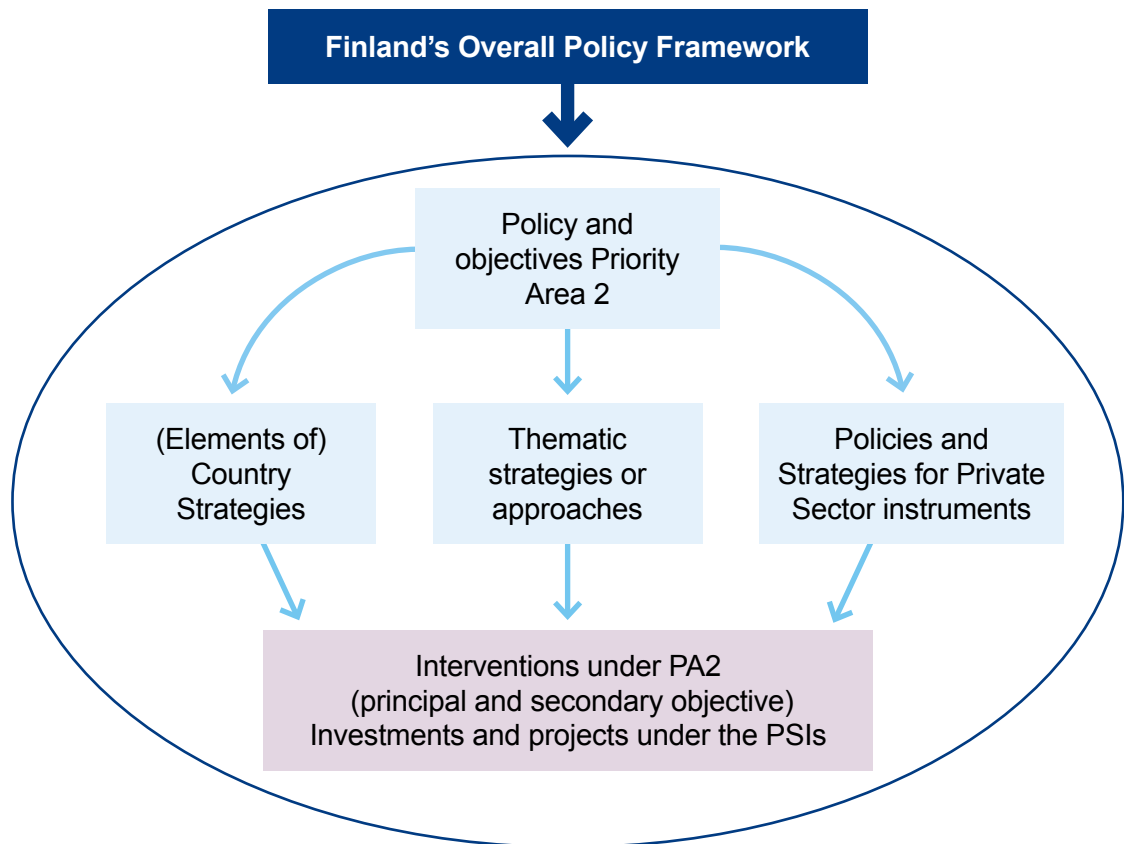
The subject of the evaluation is Finland's support to economic development, job creation and livelihood opportunities in Partner Countries (from now on the term Economic development will also be used). The expressions of this theme are Finland's policies, strategies, approaches and interventions mainly under PA2, but not fully limited to it. Included in the evaluation are also Finland's PSIs.

The Finnish Policy framework recognises that there are linkages and interdependencies between the four Priority Areas and concludes that basically all forms of development interventions are directly or indirectly relevant for economic development, job creation, strengthening of livelihood opportunities, and furthering of human wellbeing in targeted countries in the longer or shorter term. As limits had to be established of what of practical reasons can be included in the evaluation, consideration was nevertheless made, as necessary, for such interdependencies.

Figure 1 illustrates the scope of the accountability-track of the evaluation.



Figure 1 Scope of the accountability-track of the evaluation



Source: Own diagram

The evaluation consists of several components. The components are:

- Country Case Studies of Kenya, Tanzania and Zambia;
- Private Sector Instruments -study;
- Best Practices and Peer Review; and
- Thematic annexes on
 - Energy;
 - Innovation;
 - Taxation, and
 - Women’s Economic Empowerment.

In addition, policy analysis and defining of key concepts, portfolio analysis, and review of past MFA evaluations related to Economic development, job creation and livelihoods, form a key part of this evaluation’s scope. Key terms and portfolio analysis are presented the Chapter 3 of this report, findings from the past evaluations are integrated in the evaluation’s analysis of findings.

As for the Country Case Studies, the evaluation focuses on approaches and interventions which MFA considers PA2 as the principal objective as well as those judged having PA2 as significant objective. The latter category should reflect approaches and interventions which are aimed to be supportive of economic development and job and livelihood creation, albeit with another priority objective. All interventions under the assessed PSIs are included in the PSI Study; the Thematic Annexes take a holistic yet concise approach to their respective sectors/themes. In total, several dozens of interventions in different forms have been assessed, and hundreds of interventions



acknowledged as part of this evaluation's scope; for what has been included in each of the evaluation component, please, refer to the specific annex containing the study or thematic annex.

The Best Practices and Peer Review covers selected Nordic (Denmark, Norway and Sweden) approaches and global trends in economic development and private sector engagement.

The evaluation focuses on the time period since the 2016 Development Policy until the end of 2019 but considers some interventions which Finland has supported over a long period of time. As a forward-looking exercise, the evaluation also refers to selected interventions which have started in 2020 or are being in a stage of preparation.

1.5 Structure of the report

This report has six chapters. After this introductory chapter, Chapter 2 explains how the evaluation was conducted. It describes the evaluation approach, the methods used, and associated limitations. Chapter 3 then describes the policy and portfolio context, including key terms used, of this evaluation. Chapter 4 presents all substantive findings from all the evaluation components and against the main- and sub-evaluation questions. Chapter 5 concludes the main 1) strengths and opportunities and 2) challenges and limitations derived from findings; and Chapter 6 addresses these and strategic, forward-looking ethos of the evaluation by providing tangible policy- and operational recommendations.

Thematic annexes on Energy; Innovation; Taxation, and Women's Economic Empowerment and the Best Practices and Peer Review are attached to this main report in the Volume One. Reports of the Country Case Studies of Kenya, Tanzania and Zambia are presented in the Volume Two, and the PSI Study is presented in Volume Three.



2 Approach, Methodology and Limitations

2.1 Approach

A strategic evaluation is commonly defined as the evaluation of a strategy with the purpose of determining if the strategy yielded the expected results, and whether the strategy needs to be modified for better results in the future. This evaluation of Finland's support to economic development, jobs and livelihoods is more complex than that for two reasons. Firstly, there is no strategy as such for PA2 and the PSIs to be evaluated. There are elements of a strategy for parts of the portfolio and there is the Government's overriding policy framework, manifested for example in the objectives for the Priority Area at different times; but there is no overarching PA2 strategy. Rather, the actions implemented under PA2 are an assortment of many forms of large and small interventions.

Secondly, the Terms of Reference (Annex 1) demand a more ambitious approach than merely assessing the results of completed and ongoing activities in order to guide the future. They include learning from peers and international best practices, as well as looking beyond to what extent the support fulfils the stated objectives so as to point the way to improved future support.

In view of this, the evaluation's approach is both to take stock of the results of past interventions, i.e. '**what has been**', and draw lessons from them the future; and to identify and suggest '**what could be**' going beyond what is already going on. For this purpose, both drawing the lessons of **what has been** and the forward looking **what could be** is placed in a broader framework with the needs of Finland's partner countries at the centre, but also with a series of other considerations as illustrated in Figure 2 below.

The broad evaluation framework presented in Figure 2 provides a synthesis of the main evaluation questions, the key approaches and methodologies applied, and the immediate context of the evaluation. Under EQ1 the evaluation assesses to what extent and how the objectives of the Priority Area 2 on economic development, jobs and livelihoods are being achieved against Finland's policy, objectives and values, and how relevant and effective the interventions have been in relation to the critical needs and constraints of partner countries ('**what has been**'). Under EQ2 best practices of the selected Nordic peers and global trends are reviewed to establish a checklist for the MFA Finland in developing the portfolio further ('**what could be**'). EQ3 discusses selected forward-looking themes and how Finland has fared/could fare better in addressing them ('**what has been**' and '**what could be**'). Together, this produces lessons learned from Finland's current approach and portfolio and allows the evaluation to make suggestions on what the future focus of interventions in the economic development, job creation and livelihoods-portfolio should look like. Each of the elements of the Broad Evaluation Framework is elaborated in Annex 5.

The evaluation's approach is both to take stock of the results of past interventions and draw lessons from them the future.

Figure 2 Broad evaluation framework



Source: Own diagram

2.2 Methods for data collection, analysis and validation

2.2.1 The streams of evidence

The evaluation follows a mixed-methods, iterative approach in which multiple streams of evidence in the form of the various evaluation components drive triangulation of both data and analysis of findings. Figure 3 provides an overview of the contribution of the different evaluation components to the analysis presented in this report. For the part of the evaluation focusing on accountability (and learning) these streams of evidence are in the form of Country Case Studies for Kenya, Tanzania and Zambia, the PSI Study and the Thematic Annexes of Energy, Innovation, Taxation and WEE. For the key part of the evaluation on learning, best practices and peer review, the streams of evidence come on the one hand from assessing, individually, the selected Nordic peers (Denmark, Norway and Sweden) and on other hand, from framing the analysis of the Nordics within the global trends context. These parts of the evaluation, focusing on accountability and learning, constitute the “*what has been*”, and together their respective streams of evidence provide the basis for the “*what could be*”, i.e. the strategic, forward-looking part of the evaluation.

The Evaluation Matrix (in Annex 6) and the Country Case Studies apply critical problem analysis and a ToC approach as their main methods (see Box 1 for elements and methodology). They provide evidence for a number of the sub-evaluation questions pertaining to EQ1: *To what extent and how are the objectives of the Priority Area 2 on economic development, jobs and livelihoods being achieved and how relevant and effective have the interventions been in relation to partner country needs?*. These sub-EQs are:

- EQ1.1. on the coherence and relevance of the portfolio in the Case Countries including relevance and effectiveness for the pursuit of transition from development cooperation to commercial relations’ emphasis (where applicable);
- EQ1.2. on effectiveness in improving the economy and providing jobs and livelihoods;



- EQ1.3. on effectiveness in advancing the Human-Rights Based Approach and cross-cutting objectives (See section crosscutting objectives later in this Chapter);
- EQ2.3 on complementarity and added value of partnerships; and
- EQ3.5. on Results Based Management and Knowledge Management.

In addition to contributing to the analysis of “*what was*”, i.e. accountability and learning, in the overall evaluation and as presented in the findings, conclusions and recommendations of this report, the Country Case Studies also include findings and conclusions specific to the country portfolio assessed and implications/lessons learned applicable to programming in the country in question and programming of the portfolio in general.

Analysis of the PSIs studied, i.e. Finnfund, Finland-IFC Blended Finance for Climate programme (FIBFC), Finnpartnership (FP), Public Sector Investment Facility (PIF), Business with Impact (BEAM) and Finchurch Aid Investments (FCAI), has fed into the PSI Study (Volume 3). The key findings of the PSI Study respond to: EQ1.4. on the role of PSIs in the development cooperation. The PSI Study also contributes to the Evaluation’s response to certain sub-EQs of EQ1, to EQ2: *What can the Ministry of Foreign Affairs learn from its peer organisations, especially the Nordics as well as from emerging international ‘best practices’ for more relevant, effective and coordinated support for economic development, jobs and livelihood opportunities?* and EQ3: *How can the effectiveness of Finnish development cooperation related to economic development be further developed, including if and how the Results-based Management system can be further refined as far as Priority Area 2 is concerned?*. In addition to contributing the Evaluation’s overall analysis presented in this Report, the PSI Study summarises findings and elaborates on implications and lessons learnt derived from and specific to the PS instruments only.

Assessments of the MFA’s portfolios on energy, innovation, Women’s Economic Empowerment (WEE) and taxation have resulted in Thematic Annexes covering each of these sectors/themes. These annexes provide evidence for:

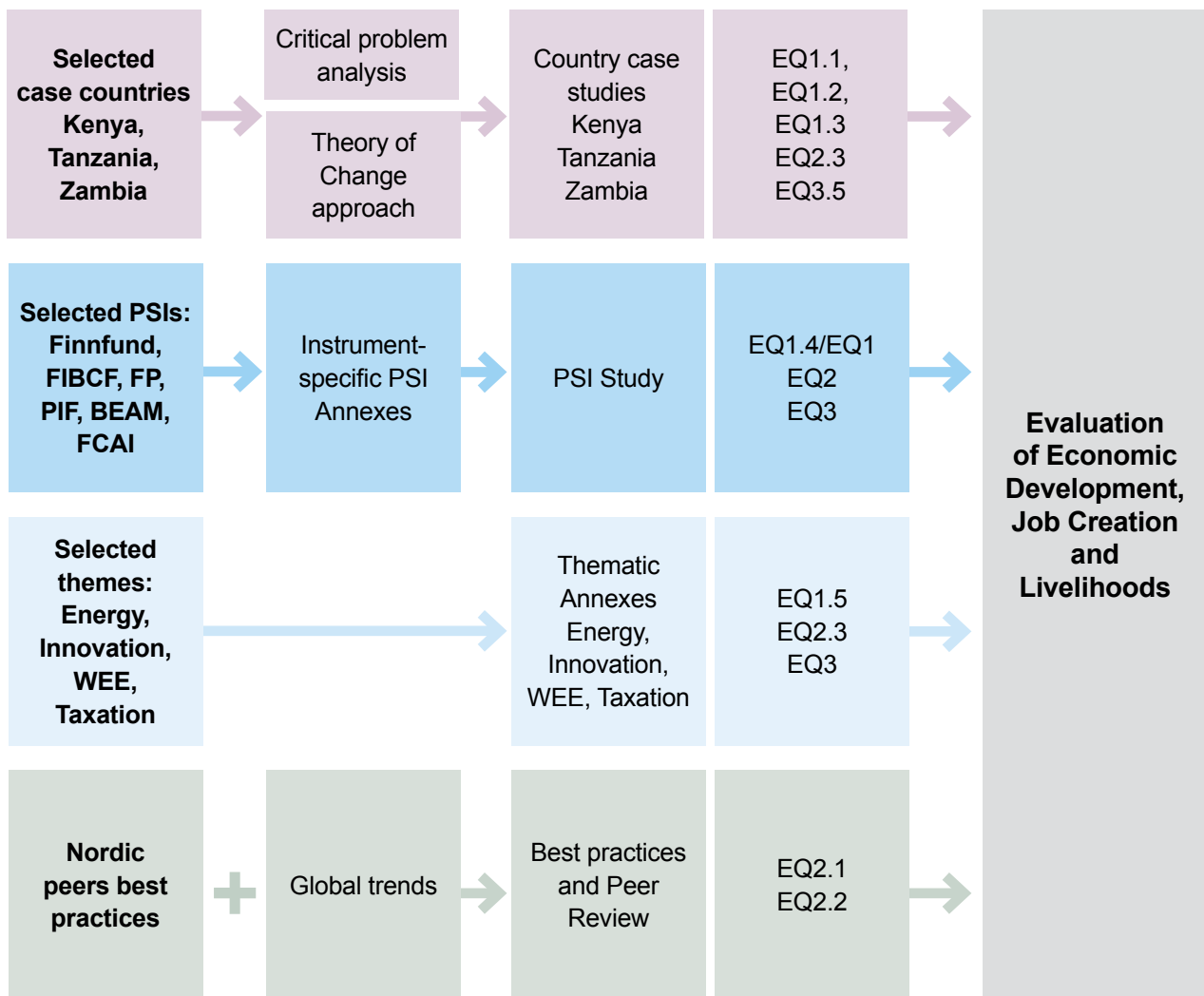
- EQ1.5. on the role of energy, innovation, taxation and WEE in the PA2;
- EQ2.3. on complementarity and added value of partnerships; EQ3.1. on increasing relevance, coherence and effectiveness;
- EQ3.2 on future improved taking into account of Finland’s comparative advantages and national interests; EQ3.3 on future improved responses to global challenges;
- EQ3.4. on future transitions from development cooperation to commercial relations’ emphasis for improved benefits of both countries (Thematic Annexes Innovation, Taxation); and
- EQ3.5. on Results Based Management and Knowledge Management.

In addition to jointly contributing to the Evaluation’s overall analysis, each Thematic Annex provides findings, conclusions and implications/lessons learnt specific for the theme.

One of the objectives of the Evaluation is *to determine what the MFA can learn from its peer organisations, especially the Nordics as well as from emerging international ‘best practices’*. This is done by reviewing selected Nordic peers to determine their approaches and more significant interventions in economic development and job creation; their decision-making behind the chosen approach, channels chosen and other modality issues; and placing this in the context of the identified international best practices. The resulting Best Practices and Peer Review responds to EQ2.1. on lessons to learn from the Nordic peers, and EQ2.2. from the global trends. In doing so, the Best Practices and Peer Review serves as a check list for MFA to bear in mind when further developing its economic development and private sector engagement work.



Figure 3 Contribution of the evaluation components to the analysis presented in this report



Source: Own diagram

2.2.2 Data collection

In terms of secondary data, the evaluation builds upon existing results-reporting (such as other evaluations, mid-term reviews, annual reporting, completion reports, etc.) from various types of interventions, programmes and projects, including evaluations of the Finnish PSI.

Primary data has been collected through Key Informant Interviews with the MFA, PSI and partner staff and stakeholders; and selected Case Country Government, Private Sector and Civil Society representatives. In total, 164 informants were interviewed in Finland, Kenya, Tanzania, Zambia and other locations such as Geneva and Vienna.

2.2.3 Data and analysis, validity and reliability

Top-down and bottom-up results-assessment: To review relevance and coherence and seeking evidence for accountability, the evaluation applied two basic analytical approaches: 1) theory-based; the Results Framework/ToC approach is ‘top down’ with Finland’s Development Policy (notably the formulations of 2016 but also referencing to the 2020 formulations) as a point of departure; 2) critical problem analysis which is ‘bottom up’ and was applied in the Country Case Studies, with the selected partner countries’ needs and constraints expressed as critical constraints at the starting points.



The credibility of the Country Case Studies, the PSI study, the Thematic Annexes and the Main Report is dependent on valid and reliable findings. The evaluation design ensures this condition in various ways, including:

- Through the application of the Evaluation Matrix as the main analytical spine for the evaluation;
- Using semi-structured interview protocols to ensure that data collection is systematic, and that any gaps are identifiable, transparent and attempted to be bridged in the iterative process;
- Through extensive use of triangulation mechanisms and meta-level analysis during the synthesis stage:
 - Investigator triangulation – the use of different team members to explore the same aspect of the evaluation in order to ensure that findings are fully endorsed by all team members rather than being the ‘province’ of one particular area of specialism;
 - Methodological triangulation – the use of different methods to explore the same aspect, and the use of multiple sources/levels of data;
- Through a consultative approach, with findings validated on an ongoing basis with key stakeholders, notably the Reference Group and other MFA management staff; and for the Country Case Studies also covering the Embassies in Dar es Salaam, Lusaka and Nairobi and the respective Country Teams.

More precisely, the evaluation has made use of the following methods:

Policy and portfolio analyses

Forming the basis for this evaluation, the policy analysis defines the key terms required for assessing economic development, job creation and livelihoods, and the quantitative mapping and analysis of the PA2 portfolio defines what the respective portfolio is.

The Country Case Studies

The selection of the three Case Countries – Kenya, Tanzania and Zambia – is based on a set of priority criteria:

- Sub-Saharan Africa is the focus of Finland’s development assistance accounting for the main Official Development Assistance (ODA) streams;
- LDCs are a focus of Finland’s development assistance;
- Countries in a transitional phase from development cooperation to an emphasis on commercial relations in Finnish development cooperation;
- Core partner countries to Finland;
- Countries with a wide range of PA2 interventions in order to provide as comprehensive a picture as possible of how various approaches and instruments function.

Box 1 presents the elements and with them, the methodology, of the Country Case Studies.



Box 1 Methodology of the Country Case Studies

The Country Case Studies include the following elements:

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

Analysis of the Finnish country strategies 2013–2016 and 2016–2019, identifying the elements of the strategy with a focus on economic development, job creation and livelihood opportunities, identifying what the objectives and the envisaged interventions in these strategies were; the coherence with the strategies 2016–2019 with the overall Policy Framework for PA2 as elaborated in 2016, and how the strategies were expressed in envisaged intervention under the PA2 theme.

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

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

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

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

Analysis of the results of the portfolio as these are reported in evaluations, mid-term reviews, completion reports and other forms of results-reporting.

Mapping of the ‘donor landscape’ engaged in similar activities as Finland in the respective case country.

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

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

Validation: Draft country reports were sent for comments by EVA-11, Reference Group, Embassies and the Country Teams, which all participated to the Country Case Study FCR Workshop (online), October 14, 2020.



The Private Sector Instruments Study

The PSI review consists of the full PSI Study and its Annexes on Finnfund, Finland – IFC Blended Finance for Climate programme (FIBFC), Finnpartnership (FP), Public Sector Investment Facility (PIF), Business with Impact (BEAM) and Finchurch Aid Investments (FCAI).

The evaluation reviews the PSIs as integral approaches in themselves and assesses, less deeply, their role in the three Case Countries. The evaluation reviews the role of these instruments in the development cooperation within the context of the Finnish government's policy framework, how these instruments interact (or not) with other forms of development cooperation and with each other, their coherence with the 2016 Development Policy, and how grants, loans and commercial investments complement one another (or not). The PSI Study forms Volume 3 of the Main Report.

The Thematic Annexes

The annexes with a thematic focus complement the Country Case Studies and provide a deeper look into certain aspects of the economic development interventions. Due to resource and time constraints, and given that the PA2 portfolio is comprised of some 30 themes and/or sectors (depending on how these are defined and reported), the evaluation had to be selective. The following sectors/themes are included in the evaluation:

- Energy – by far the most important sector in terms of financial flows in PA2 and the PS instruments for the period 2016–2019 (as evident from the mapping of the PA2/PSI portfolio discussed in Chapter 3);
- Innovation – a theme that is of strategic priority in the MFA policy framework, as reflected in outcome level statements both in the 2016 Development Policy and revised 2020 ToC. Innovation has also been a subject for some major Finnish development cooperation projects in Vietnam, Tanzania and in the southern African region. It can be considered as one of Finland's strength and comparative advantage;
- Taxation – one of the strategic priorities highlighted in the current government programme and included in the Terms of Reference as a key issue to be included in the evaluation. The evaluation's Reference Group (at the inception meeting May 19, 2020) concluded that, despite not being a PA2 area, taxations should be an integral part of the evaluation framework and be a focus of a Thematic Annex;
- WEE – a focus area of MFA and one of the themes given specific attention in the Evaluation. It is also a dimension of the cross-cutting objective of gender equality.

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

Best practices and peer review

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



Cross cutting objectives

HRBA and cross-cutting objectives of gender equality, reduction of inequality in society, and climate change mitigation and adaptation are an integral part of the evaluation. Following the MFA's twin-track approach, in this report, gender mainstreaming is addressed in particular under the sub-EQ 1.3. ("In what way and how effectively have the country programmes, approaches and interventions related to economic development, job creation and livelihoods in the three Case Countries contributed to advancing the Human-Rights Based Approach and cross-cutting objectives of gender equality, reduction of inequality (and climate change mitigation and adaptation)?") and under EQ2 on best practices and peer review. The sub-EQ 1.5. looking at the themes selected for this evaluation, including WEE, is about a targeted action. Mainstreaming HRBA and the cross-cutting objectives are further discussed in all the components of this evaluation; and the targeted WEE in its Thematic Annex.

For details on the methodology, see Annex 5, and for the Evaluation Matrix, see Annex 6.

2.3 Limitations

The implementation plan of this evaluation has changed twice. First, at the very start of the Inception Phase, due to the COVID-19 pandemic, and for the second time, just before the mid-point of the Implementation Phase, due to changes in the Evaluation Team composition and leadership, resulting, in spite of the swift corrective actions, to a reduction in the ET's head-count and accumulation of the work load. Other limitations relate to the portfolio and access to data; evaluation scope; and attribution vs contribution.

Limitations because of the Covid-19 outbreak. Due to the COVID-19 pandemic, the evaluation has not involved field missions by the core team to the Case Countries nor visits to individual projects or interviews/focus groups with direct beneficiaries. Instead, experienced country experts have been engaged and worked closely with the core team members to identify and interview relevant informants, gathering relevant information as well as ensuring adequate reflection of the country context in the report. Some of the in-country interviews have been conducted online by the core team members.

Similarly, all interviews of the MFA and PSIs staff in Helsinki, and partners and stakeholders everywhere else, have been conducted on the phone or by using online platforms. This applies to the various meetings of the ET with EVA-11, the Reference Group and other MFA management, Embassies and Country Teams too. It should be noted that, while this way of conducting the interviews for the primary data works well with an evaluation assuming an iterative triangulation strategy, the data gathering is slower because it is, even for the field interviews, spread across a longer period of time and not supported by observation, nor focus group discussions.

Limitations related to the portfolio and access to data. This evaluation is about Finland's support to economic development, job creation and livelihoods, i.e. the portfolio assessed is that of the PA2 and "more". Defining the "more" at the level of the evaluation has been guided by the evaluation's Reference Group and resulted into the inclusion, notably, of the Thematic Annexes on Energy and Taxation. At the level of the Country Case Studies, the evaluation team has adhered to the notion of including in the assessment major interventions under other Priority Areas if these are considered essential for contributing to the economic development and job creation.

The 'hard core' of the evaluation consists of the PA2-portfolio, though. Discussed in Chapter 3.2 'Portfolio analysis' there are a lot of inconsistencies on whether and how interventions have been rated against PAs. From the evaluation point of view, this has led to issues with regard to shaping up the PA2-portfolio and to the accuracy of monitoring data and consistency of reporting. There



are also a lot of issues regarding e.g. sector classification (different classifications in use in e.g. entities managing the PSIs). The evaluation, noting these issues, is based on the MFA's formulation of its portfolios though.

Some delays occurred in the delivery of data and documents by some of the PSI's and the MFA. In the case of the latter, this clearly relates to the issues in the MFA's management system where documents get archived in a way that does not allow for a quick identification of the type of the document in question. In addition to delays, this has also resulted to receipt by the evaluation team of several dozen (and in a number of cases, a couple of hundreds) documents per intervention; in a case of an evaluation that shifts hundreds of interventions and assesses several dozen, this is a remarkable burden to all, both to those involved in providing the documents but in particular to the evaluators. However, despite several requests, the evaluation team never received the documentation on the BEAM projects relevant for the case-countries.

Limitations related to the evaluation scope. While there are limitations to the scope specific for every component of the evaluation, the components do allow for insights, generated through a systematic approach, to inform the wider evaluative process and its results presented in this Report. The sum of the evidence streams of the evaluation components, in form of conclusions and recommendations emanating from them, is such that it can be generalised to apply to the entire portfolio of economic development, job creation and livelihoods. With such a wide portfolio, covering a large number of sectors/themes, however, findings and conclusions specific to, for example, innovation (as presented in the Thematic Annex Innovation) can not necessarily be generalised to cover all thematic interventions in the economic development (nor only in the PA2) -portfolio. It must also be stressed that, given the considerable number of projects in the country portfolios, no independent search for primary data in the field for specific interventions has been attempted by the evaluation, nor does the evaluation provide a second opinion on documented results unless there is clear reason to do so.

Limitations regarding causal inference. The issues of attribution and counterfactuals plague every evaluation, i.e. the ability to determine that an approach or intervention leads to certain results which would not have happened without the donor intervention. The evaluation team avoids to engage in efforts to assess attribution and counterfactuals and rather uses the term contribution with the meaning that is it likely that a policy, strategy, an approach and intervention has contributed to an observed change process or will contribute to a desired objective. This use of the concept of contribution is in line with that in Contribution Analysis, meaning as plausible association where a reasonable person, knowing what has occurred/is occurring in the programme, agrees that the programme contributed/is contributing to the outcomes. It does not prove a contribution but provides evidence to reduce the uncertainty about the contribution made.



3 Context

3.1 Economic development, job creation and livelihoods in Finland's development policy

The 2016 Government report on Finland's Development Policy outlined four policy Priority Areas, one of them being PA2 on improving the economies of developing countries to ensure more jobs, livelihood opportunities and wellbeing and the focus of this evaluation. The development policy document included an impact statement and four outcome statements for each Priority Area, as well as an outline of how they will be promoted. For Finland's Development Policy Results Report 2018 to Parliament, the MFA created Theories of Change (ToC) for each of the Priority Areas. The main purpose of the ToCs was to support and structure results reporting, but to the evaluation team's knowledge they were not at this stage given much importance in terms of strategic guidance. In 2019 the next government maintained the same four policy Priority Areas but specified further strategic priorities in its programme, increasing focus on human rights, WEE and innovation; the latter as means of producing development outcomes. To operationalise the policy objectives and harmonise them with the new strategic priorities, the MFA updated the detailed ToC for each Priority Area, prepared a new ToC for humanitarian assistance as well as an overall ToC for the Development Policy of Finland. This included reformulating some of the outcome statements from the 2016 policy. The updated ToCs were accompanied by aggregate indicators and finalised in early 2020. They are now being operationalised in the MFA. The 2016 development policy as well as the changes made in the 2020 ToC constitute, thus, the main policy framework for PA2.

As a point of departure for the Evaluation, it was essential to determine the operational meaning of the Policy objective of PA2, the definitions of key terms used and the assumed linkages between various elements in what might be considered a theoretical underpinning of the Finnish support.

3.1.1 Jobs and livelihoods

Jobs. The concept includes both formal and informal, both direct and indirect, permanent as well as temporary jobs and the transition from informal to formal. The quality of jobs must be considered: formal is preferred to informal, permanent to temporary, better paid jobs preferred to poorly paid. But, informal, temporary and poorly paid jobs are better than no jobs. Furthermore, economies are complex webs of all forms of jobs, to a large extent interlinked. Creation of formal jobs often trigger a growth also in informal and indirect jobs. Temporary jobs can be a channel into permanent and so on. Jobs must also be seen the context of overall employment and livelihood in a country as well as prevailing rates of un-employment or under-employment. Interventions that create a few well-paid jobs in a sea of un- or underemployment among the poor cannot be considered high value. On the other hand, interventions that help to preserve and maintain jobs and their decent nature must be seen to have value. As further discussed in the Annex 4, the Finnish policy framework qualifies the job-objective both in the sense that it gives special weight to jobs for women, youth and the poor.



Having a job is a sub-set of livelihoods while the latter also include self-employment for example in smallholder agriculture.

Livelihood opportunities. International Labour Organisation (ILO) defines livelihood opportunities as “capabilities, material and social resources and activities required for a means of living.”¹ Hence, having a job is a sub-set of livelihoods while the latter also include self-employment for example in smallholder agriculture.² Livelihood opportunities also encompasses self-employment and household jobs, essential sources of living for many women and the poor. Considering that up to 80–90 per cent of jobs in the Evaluation’s Case Countries are in the informal sector³, including smallholder agriculture, which is almost exclusively the livelihood of the poor, the Evaluation (particularly in form of the Country Case Studies) covered also livelihoods.

In the MFA’s 2020 ToC, the issue of livelihood opportunities is considered both under PA2 and PA4, specifically output 4.1. on sustainable agricultural production of smallholder farmers and to output 4.3 on smallholder farmers’ and Small and medium-sized enterprises’ (SME) possibilities to participate in value chains.⁴

For further expressions of the “job”-objective, including definitions of Jobs for women, youth, the poorest and those in vulnerable situations; Decent jobs; A rights perspective to jobs and income; and Formal and informal jobs, see Annex 4.

3.1.2 Improving the economies of developing countries

In the formulation of the objective for PA2, improved economies are expressed as a means for the job/livelihood objective.

As a means to create jobs. In the formulation of the objective for PA2, improved economies are expressed as a means for the job/livelihood objective. It is based on the implicit notion that it is through economic development that jobs are generated, incomes are improved and jobs to a larger extent are becoming ‘decent’. We must take into account the fact that agrarian, industrial and services oriented economies tend to coexist and contribute to the economy simultaneously, and that economic modernisation and improvement not necessarily create more jobs (for example as result of improved productivity through capital investments which at least in a micro perspective can result in less jobs), and that open unemployment often increases when economies develop as people can ‘afford’ being openly unemployed.

Economic growth, diversification of an economy and enhanced productivity are also means towards increasing resources in a society.

Inclusive growth. Improved economies are not only a means towards job-creation. Economic growth, diversification of an economy and enhanced productivity are also means towards increasing resources in a society which can be used for reduced poverty and improved wellbeing in many additional ways. For example, through distributional mechanisms, investments in public goods and basic services such as education and health care. There are different ways an economy can evolve and transit from a traditional to a modern economy. The distributional aspects are at the centre related to equality of resources, power and rights. Concepts such as **inclusive** or **pro-poor economic growth** have been coined in the development discourse to indicate economic development patterns which leave as few as possible behind in this transition. The Organisation for Economic Co-operation and Development (OECD) defines

inclusive growth as “economic growth which is distributed fairly equally across society and creates opportunities for all”.⁵ While the Evaluation mainly uses the “simple” expression “economic development”, as in the Evaluation title and Terms of Reference (ToR), the concept of inclusive

1 https://www.ilo.org/asia/WCMS_224123/lang--en/index.htm

2 We exclude livelihoods from various forms of rents and subsidies in the context of this evaluation.

3 Based on the ET’s research on the three case countries.

4 In addition to jobs and livelihood opportunities, the PA2 impact formulation encompasses wellbeing. However, as noted in this Evaluation’s Inception Report, wellbeing as a concept is too complex to apply operationally in the Evaluation.

5 <https://www.oecd.org/inclusive-growth/#introduction>



economic growth or development⁶ is present in it through the notion that the Finnish Policy framework assumes that the concept “improving economies” means inclusive economies as the term generally is used in the donor community.

Private Sector Engagement (PSE). PSE, or partnering with the private sector, refers to the interest of donors and others to work more strategically and systematically with business to meet the Sustainable Development Goals (SDGs). The OECD’s broad definition of PSE as ‘an activity that aims to engage the private sector for development results and involves the active participation of the private sector’ is what is meant by PSE and partnering with the private sector in this Evaluation.

Private Sector Engagement refers to the interest of donors and others to work more strategically and systematically with business to meet the SDGs.

3.1.3 Transition from development assistance to commercial forms of relationships

With several partner countries, emphasis of Finland’s cooperation has already shifted or is in the process of shifting from ‘conventional’ grant-based development aid to bilateral institutional cooperation as well as commercial or semi-commercial forms of relationships. In this transition the private sector and institutional cooperation instruments play a major role. Transition generally involves a mixture of grants and commercial financing, rather than a direct shift to fully market-based financing. Planned transition is a common process in development cooperation by donors mainly from countries which ‘graduate’ in economic development to Middle Income Countries. The Evaluation addresses the transition issues in relation to economic development, job creation and livelihoods, particularly in terms of lessons to learn from Zambia, already quite far in the transition, and with the view of benefiting those to follow, such as Kenya.

Planned transition is a common process in development cooperation by donors mainly from countries which ‘graduate’ in economic development to Middle Income Countries.

3.2 Portfolio analysis

3.2.1 About the analysis and its limitations

It is essential to define the portfolio which constitutes what Finland has been undertaking in the form of interventions during the evaluation period. In the MFA’s online case-management system of development assistance appropriations (“*varsinainen kehitysyhteistyö*”) between 2015–2019, reported as Official Development Assistance (ODA) there are 273 interventions that have the Policy PA2 as their principal objective. The total commitment of these interventions is of about €450 million. This figure includes some large allocations, such as the replenishment of IDA-19 (€114 million) and Finland-IFC Blended Finance for Climate Programme (€114 million). Some of these commitments cover disbursements beyond 2019.

245 interventions have PA2 as their secondary objective, with a total commitment of about €860 million. This figure includes e.g. the €210 million loan to Finnfund in 2019.⁷ Taken together, the interventions having PA2 as principal or secondary objective account for about 47 per cent of MFA’s all development cooperation appropriations and financial investments for development during the period 2016–2019.⁸

The interventions having PA2 as principal or secondary objective account for about 47 per cent of MFA’s all development cooperation.

6 Inclusive economy refers to the state, while inclusive economic growth and economic development refer to a change process along the lines of what inclusive means as the distribution in society.

7 It does not include the €130 million loan to Finnfund in 2016 or increases to its capital by €10 million in 2017 and 2018 and 2020.

8 A large part of Finland’s ODA is channelled through other ministries. For example, in 2019 the MFA administered €577 million (ca. 60%) of appropriations for development cooperation and financial investments, whereas other ministries administered €412 million (ca. 40%). The latter figure includes also Finland’s contribution to European Union’s cooperation instruments.



The interventions in the PA2 portfolio vary in financial terms from a few thousand to over €200 million with a large number of small interventions of less than €50,000. The portfolio is highly diversified in focus with some 30 different thematic/sector approaches such as energy, trade, education, forestry, industry, innovation, SME development, women's entrepreneurship, etc. The portfolio includes all the MFA's available modalities and channels for the support including interventions implemented by the Finnish embassies, bilateral projects implemented by consultants, support channelled through Non-Governmental Organisations (NGOs), multilateral organisations as well as multilateral funds and facilities, and not least the private sector. A large share of the PA2 funding is channelled through multilateral organisations, including development banks and United Nations (UN) organisations.

As further discussed below, many of e.g. FP and BEAM projects, and none of the Finnfund and FIBFC projects have not been classified in the Policy Priority framework, hence the actual number of interventions in portfolio is substantially larger than what the figures above indicate. While many of these are or can be grouped into well-defined programmes, the complexity is nevertheless staggering and the evaluability in the traditional meaning questionable.

The statistical analysis is mainly based on the MFA Excel sheet "Development Cooperation projects Funding decisions 2015–2019" provided by the statistics unit in the MFA's development policy department and extracted from the MFA's online system (AHA-KYT). The excel covers funding decisions made between 1st June 2015 – 19th December 2019. It is reasonable to assume that the interventions decided upon between these dates have been included in the MFA project portfolio during 2016-2019 (time scope of the evaluation). Classification of data in the Excel sheet has been made using the OECD Development Assistance Committee (OECD-DAC) CRS purpose codes.

For each intervention the importance of the specific Priority Areas has been rated by the MFA by marking whether the Priority Area is a principal objective ("1"), significant objective ("2") or whether the intervention does not target the specific Priority Area ("0"). One of the challenges of the analysis is, that the rating of Priority Area objectives has not been done for all interventions in the portfolio. This is natural, since the data includes a lot of interventions decided upon prior to the 2016 Development Policy. Though in many cases ratings have been made retrospectively, generally the more systematic rating according to Priority Areas appears to begin in the autumn 2016. During the interviews carried out for this Evaluation it also turned out that there has not been a very rigorous guidance for MFA staff on how to rate interventions according to Priority Areas. There seems to be a lot of variations in this regard.

There are also numerous interventions for which there still is no rating. This applies especially the Fund for Local Cooperation (FLC) projects of Finnish Embassies, humanitarian assistance interventions, interventions managed by some geographical departments of the MFA, and FP projects. For the latter (334 in total), for example, only funding decisions from the spring 2018 onwards have been rated. Of those FP projects with rating, the majority (112) rank PA2 as "1" (i.e. "principal objective"). For most of these FP projects just the principal objective, no secondary/significant objective ("2") has been defined.

The Evaluation has also used data received from Business Finland (on BEAM) and FP. It is to be noted, that these data often differ from the MFA data (coverage, classification, type of support reported etc.) which makes utilising data very difficult. For consistency's sake the evaluation has in most cases used the "biggest common denominator", which is the MFA statistics, though this has led to omitting some data in some cases.

For the above-mentioned reasons, the analysis is indicative at best. It includes among other things, the sector division of those interventions to which PA rating has been given. These include



1. Interventions for which PA2 has been stated as the priority objective (“1”). This means 273 interventions (17 per cent) of the portfolio’s 1,640 interventions, with the committed amount of €442 million, 16 per cent of the aggregated sum of all commitments €2,776 million.
2. Interventions for which PA2 has been rated as secondary objective. This means 245 interventions (15 per cent of the total portfolio) with total committed value of €864 million (31 per cent of the total committed value).

The analysis includes those FP and FLC projects, which have been given PA rating. It should be noted that the MFA and its online case-management system of development assistance appropriations consider each FP and FLC project as a separate intervention; as a consequence, the Evaluation equally does. Nevertheless, it might be advisable for the MFA to start considering these programmes as one intervention each, and to make any necessary changes in the programmes’ design and implementation in this effect.

The data and analysis do not include all Finnfund financing. It includes the MFA’s €210 million loan to Finnfund in 2019 (PA2 as secondary objective), but not the €130 million loan of 2016, and the €10 million capital injections in 2017 and 2018. Finnfund investments (done with the government given capital, retained earnings and long-term debt) in developing country companies are also not included. Data analysis in the next sub-section also does not include BEAM support to Finnish companies as the MFA part of BEAM funding was moved into Business Finland budget.

The analysis, however, includes the investment loans to IFC (€114 million, 2017) and Finn Church Aid (€16 million, 2018). The data received from the MFA included the replenishment of IDA-19 (a loan),⁹ so it is included in Table 1. More specific portfolio analysis of Finnfund, FP, BEAM, FCAI, PIF and FIBFC are presented in the PSI Study and its annexes.

3.2.2 Key results of the portfolio analysis

With the caveats discussed in the Section 3.2.1 of this Report, the sector division of the 2016–2019 portfolio looks as presented in Table 1.

Table 1 Sectoral division of the PA-rated projects, with PA2 stated as principal objective (value “1”) by number of projects

	No.	% of all	Comm. € ('000)	% of all
All interventions	1,640		2,766,180.0	
PA2 as the priority objective (1)	273	17%	445,866.5	16%
110 Education	39	14.3%	22,900.8	5.1%
120 Health	13	4.8%	1,447.6	0.3%
140 Water supply and sanitation	8	2.9%	662.3	0.1%
150 Gov. & Civil Society	18	6.6%	6,645.8	1.5%
152 Conflict, peace & security	1	0.4%	23.5	0.0%
160 Other social infra & services	10	3.7%	9,146.5	2.1%
210 Transport & Storage	1	0.4%	65.3	0.0%
220 Communications	12	4.4%	1,824.1	0.4%
230 Energy	16	5.9%	117,044.8	26.3%
240 Banking & financial services	3	1.1%	359.1	0.1%
250 Business & other services	27	9.9%	38,142.6	8.6%
311 Agriculture	18	6.6%	19,978.1	4.5%
312 Forestry	10	3.7%	31,773.2	7.1%

⁹ Priority Area 2 rated as principal objective in the MFA data.

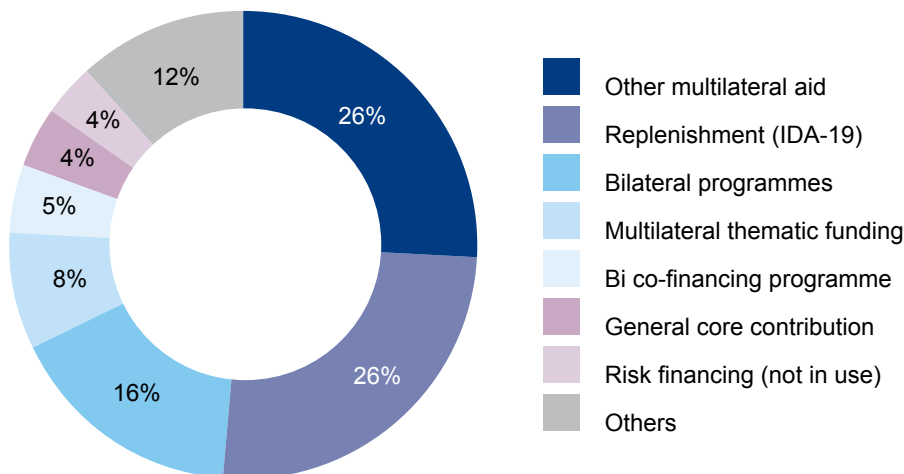


	No.	% of all	Comm. € ('000)	% of all
All interventions	1,640		2,766,180.0	
313 Fishing	3	1.1%	1,454.6	0.3%
321 Industry	40	14.7%	28,823.5	6.5%
322 Min. resources & mining	1	0.4%	1,200.0	0.3%
323 Construction	4	1.5%	382.9	0.1%
331 Trade policy & regulation	16	5.9%	32,667.7	7.3%
332 Tourism	2	0.7%	98.8	0.0%
410 General environmental protection	7	2.6%	1,109.8	0.2%
430 Other Multisector aid	8	2.9%	124,648.0	28.0%
730 Reconstruction and rehabilitation	1	0.4%	2,000.0	0.4%
740 Disaster prevention & preparedness	2	0.7%	1,102.7	0.2%
910 Admin. Costs of donors	5	1.8%	1,320.9	0.3%
998 Unallocated	8	2.9%	1,043.8	0.2%
Total	273	100%	445,866.5	100%

Source: MFA: Development Cooperation projects Funding decisions 2015–2019.

It is to be noted that inclusion of PA-rated FP, FLC and NGO project funding affects especially the sector division by increasing diversity and the share of e.g. industry, education, government & civil society as well as business and other services. Because interventions through these channels normally are small in monetary terms, their effect on the sector division by commitments is much smaller. The volume of funding for “Other multisector aid” is partly explained by the fact that Finland covered her share of IDA-19 replenishment by a loan (the *Financial Investment instrument*). This replenishment has in the MFA statistics and reporting been marked to have PA2 as its principal objective. Figures for energy sector include e.g. the €114 million investment loan to IFC. Figure 4 presents the share of PA2 (primary objective) interventions in MFA’s funding decisions 2015–2019.

Figure 4 Priority Area 2 (primary objective) interventions



Source: MFA: Development Cooperation projects Funding decisions 2015–2019.



Data for interventions with PA2 as secondary objective are presented in Table 2 below. This group of interventions includes some large replenishments, e.g. for the Global Environment Facility (GEF), African Development Bank (AfDB) and European Development fund. They inflate especially the commitment amount (and share) of “Other multisector aid”. The 2019 €210 million loan to Finnfund affects strongly (in monetary terms) the share of “Banking and financial services”.

Table 2 Sectoral division of PA-rated projects, with PA2 stated as secondary objective (value “2”)

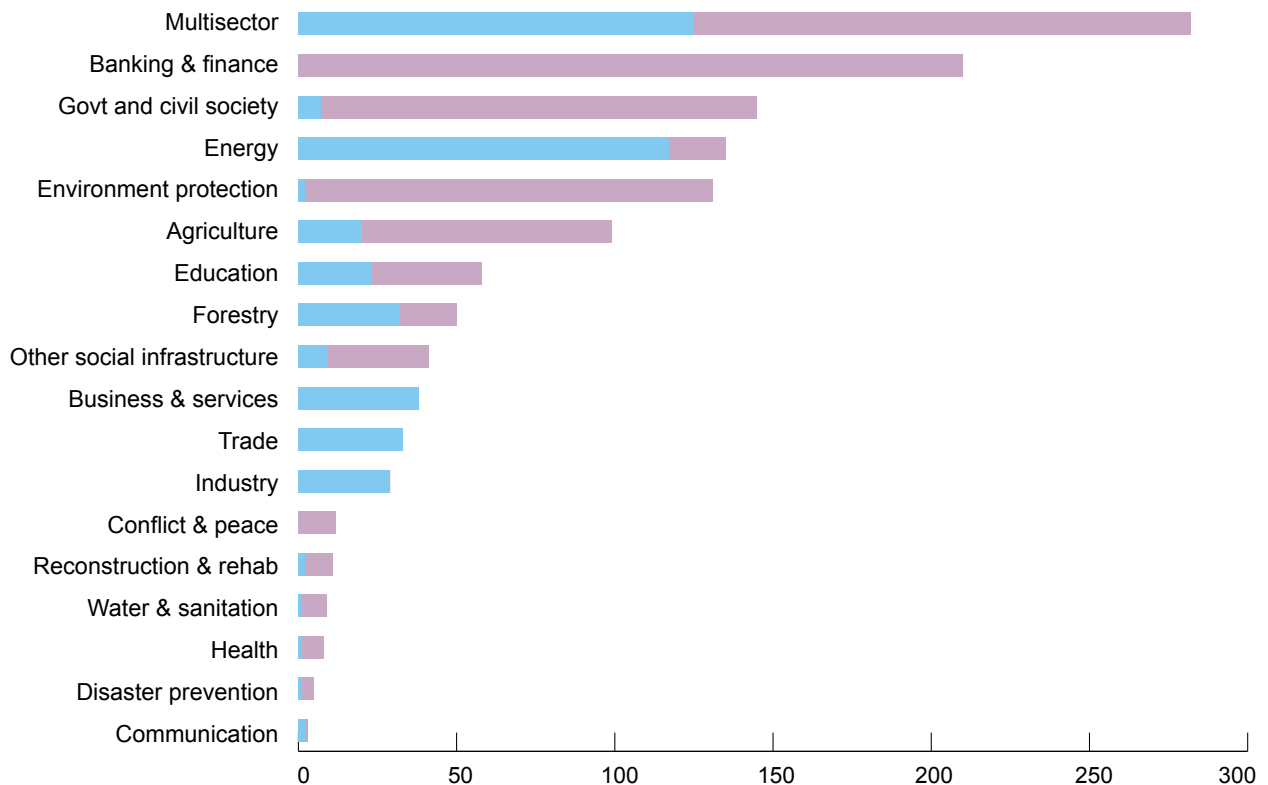
	No.	% of all	Comm. € ('000)	% of all
All interventions	1,640		2,766,180.0	
PP2 as the secondary objective (2)	245	15%	864,424.1	31%
110 Education	26	10.6%	35,146.1	4.1%
120 Health	6	2.4%	7,254.6	0.8%
140 Water supply and sanitation	7	2.9%	7,753.4	0.9%
150 Gov. & Civil Society	61	24.9%	138,450.1	16.0%
152 Conflict, peace & security	8	3.3%	12,050.0	1.4%
160 Other social infra & services	12	4.9%	31,593.8	3.7%
210 Transport & Storage	2	0.8%	216.2	0.0%
220 Communications	3	1.2%	757.0	0.1%
230 Energy	9	3.7%	17,749.6	2.1%
240 Banking & financial services	1	0.4%	210,000.0	24.3%
250 Business & other services	2	0.8%	28.2	0.0%
311 Agriculture	15	6.1%	78,844.8	9.1%
312 Forestry	8	3.3%	18,007.0	2.1%
321 Industry	3	1.2%	277.0	0.0%
410 General environmental protection	20	8.2%	128,585.8	14.9%
430 Other Multisector aid	14	5.7%	157,147.0	18.2%
730 Reconstruction and rehabilitation	2	0.8%	9,000.0	1.0%
740 Disaster prevention & preparedness	1	0.4%	4,000.0	0.5%
910 Admin. Costs of donors	24	9.8%	4,308.5	0.5%
998 Unallocated	21	8.6%	3,255.0	0.4%
Total	245	100.0%	864,424.1	100.0%

MFA: Development Cooperation projects Funding decisions 2015–2019.

In summary, the financial allocations on sectors in PA2 covering interventions for which the Priority Area was rated as the principle or secondary objectives are shown in Figure 5 (sectors with joint allocations of less than €2 million are excluded in the figure).



Figure 5 Sector allocations of Priority Area 2 (primary and secondary objective), € ('000)



MFA: Development Cooperation projects Funding decisions 2015–2019.

Excluding the multisector allocations which contain replenishment of several multilateral organisations as mentioned above, the portfolio is dominated by interventions in which PA2 is the secondary objective. Thus, three of the four largest sectors: Banking & Finance; Govt & Civil Society and Environment protection are almost entirely rated as PA2 a secondary objective. As explained above, one €210 million loan to Finnfund explains the prominence of “Banking & finance”. Large contributions especially to GEF, support to various UN programmes and organisations as well as International Non-Governmental Organisations (INGOs) and Finnish NGOs explain the share of “Environment protection”. Support to “Government and civil society” is dispersed widely between e.g. different kinds of project and programme support to NGOs, multi-bi and bi co-financing as well FLC interventions.

Inconsistencies on whether and how interventions have been rated against PAs affect strongly the sector division.

Inconsistencies on whether and how interventions have been rated against PAs affect strongly the sector division. For example, one loan (of €210 million in 2019) to Finnfund is rated (PA2 as secondary objective), whereas another (€130 million in 2016) is not even included in the data. Among the sectors rated as first objective energy dominates, largely due to one intervention of €114 million to an FIBFC and financial support to its project development component (€1.54 million).



As evident in the portfolio analysis, the Finnish development cooperation focused on economy, jobs and livelihood is highly diverse and fragmented. This fragmentation raises the question whether Finland can deliver effective and coherent support and suggests complexity to effectively manage and monitor the portfolio. Fragmentation and diversity are not necessarily inherent weaknesses, but it is a common experience in the donor community that such features create considerable problems in effectiveness, resulting in many donors' frequent efforts of concentration on sectors, projects and themes. Fragmentation also poses well known problems for the recipient countries in aid management, manifested in the Paris Declaration (PD) of Aid Effectiveness.

As evident in the portfolio analysis, the Finnish development cooperation focused on economy, jobs and livelihood is highly diverse and fragmented.

A particular issue is the large number of interventions under PA2 which are very small in financial terms, with total budgets on less than €50,000. Many of these small interventions are elements of the FP programme and the FLC.



4 Findings

4.1 Achievement of Finland's objectives on economic development, job creation and livelihoods

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

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

Most approaches, instruments and interventions are highly relevant and effective.

Summary answer to the Evaluation Question. Finland's support to Economic Development, Job Creation and Livelihoods has generated – and has the potential to generate – many success stories. Most approaches, instruments and interventions are highly relevant and effective. Yet, shortcomings in internal and external coherence, together with the gaps identified in the implementation, limit the success and lead to missed opportunities for creating wider impact.

The interventions evaluated in Kenya, Tanzania and Zambia show a high degree of relevance to most of the Case Countries' constraints. Equally, Finland's support to energy, innovation, taxation and WEE is nearly throughout highly relevant to the Finnish development policy framework and partner country needs. As for the PSIs, while all of them have at least satisfactory relevance vis-à-vis Finnish development policy goals, there is more variance between them when it comes to relevance vis-à-vis partner country needs.

Effectiveness in improving economies for jobs and livelihoods as well as advancing HRBA, gender equality, reduction of inequality and climate sustainability shows mixed results across the Case Countries. Finland's results in Kenya have been limited in scope. Forestry programming in Tanzania seems effective while discontinuation of programmes has adversely affected the effectiveness of results in Zambia. In Zambia, Finland's focus has shifted from development cooperation to strengthening commercial relations, but due to limited strategising and resourcing, this transition has yet to produce the desired increase in Finnish-Zambian trade relations. Finland's support to energy, innovation, taxation, and WEE is mainly effective. However, the lack of overall strategic guidance on PSIs, and inconsistencies in current steering arrangements affect negatively the effectiveness of the assessed PSIs. Furthermore, the PSIs do not constitute a continuum of support, finance and services for the growth of companies or commercialisation of their innovations, affecting the effectiveness of these instruments.

Highly relevant and effective approaches, instruments and interventions identified in this evaluation include Finnfund (as an instrument and most of its interventions), the bilateral forestry programming in Tanzania, the former bilateral innovation programmes in Tanzania and Vietnam and WEE as an overarching objective of the TUCO-10's portfolio.

While the MFA has developed elements to enhance coherence – these include the establishment of the Priority Areas and Country Strategies – the effort to significantly improve coherence will,



however, still require a good push. The focus of the Country Strategy and funded interventions has been coherent with the overriding Finnish policy framework in the Case Countries, but coherence in the implementation has been limited. In the case of the overall economic development portfolio, the lack of a strategy aimed at concerting and consolidating efforts (incl. vis-à-vis PSIs) is limiting coherence. While the “Tax and Development Action Programme” is an exception, by focusing on building the technical capacities of revenue authorities, it does not address issues pertaining to deficits in good governance.

4.1.1 Coherence and relevance of the portfolio in the Case Countries

Sub-EQ 1.1. *How coherent have the country strategies, approaches and interventions been with the overriding Finnish policy framework for economic development and job-creation in the three Case Countries? How relevant have they been related to country needs? Have they been relevant and effective for the pursuit of transition¹⁰ (where applicable)?*

As stated in these sub-evaluation questions, evidence provided on is based on the Country Case Studies of Kenya, Tanzania and Zambia (see Volume 2 of this Report for the full Country Case Studies).

Finding 1. While the focus of the Country Strategy and funded interventions was coherent with the overriding Finnish policy framework in all Case Countries (Kenya, Tanzania and Zambia), coherence in the implementation was limited. (Based on KEN-F1, KEN-F2, TAN-F1, ZAM-C1)

Finland’s Development Policy (2016) aims to help eradicating poverty and to reduce inequality. The PA2 objective of the policy is that “Improving the economies of developing countries to ensure more jobs, livelihood opportunities and wellbeing” would result into the following four outcomes (1) everyone, including women, young people and the poorest, have better access to decent work, livelihoods and income; (2) the private sector and economic activity in developing countries be more dynamic and more diversified; (3) international business rules lend better support to the development of businesses, their accountability and the observance of internationally agreed standards in developing countries; and (4) better use is made of new know-how, value chains, technologies and innovations that respect sustainable development.

The evaluation analysis shows that, at the level of Country Strategy and intervention planning, the policy framework is well reflected in Kenya, Tanzania and Zambia. However, maintaining coherence in practice during implementation revealed challenging due a variety of reasons:

In Kenya, the Country Strategy 2016–2019 repeated the Policy objective of improved access to jobs and livelihoods as one of its three lead impact objectives and translated this as increased productivity and economic opportunities in forestry and agriculture, with output objectives linked to forestry only. The targeted forestry interventions were not implemented. The reasons given in the MFA Evaluation of the Agriculture, Rural Development and Forestry (ARDF) Sector Programmes in Africa (2019) were issues in Kenya on management and corruption, and according to the evaluation, “against the backdrop of ongoing investigations, the foreseen continuation of collaboration with and support for the Kenya forestry sector, as foreseen by the Finnish cooperation, has been put on hold.” According to the interviews with MFA and embassy staff, this resulted into halting project preparation, and no other programming being developed to replace the intended forestry programme, i.e. the resources

Maintaining coherence in practice during implementation revealed challenging due a variety of reasons.

¹⁰ From an emphasis on development cooperation to one on commercial relations.



allocated for it were not made to benefit Kenya during the programming cycle. As the forestry project was neither implemented nor replaced and agricultural support was ended early in the strategy period, there was no coherence between the Country Strategy and the actual interventions.

In Tanzania, one of the intended bilateral interventions (in innovation) did not materialise in spite of the financing decision made. Getting the intended programme started was first stalled at Tanzania's administration, both because of an overall slow-down caused by at the time new administration and the proposed change in the project's national counterpart, and once cleared by the Tanzanian authorities, it seems that MFA's appetite for its intended outcomes was no longer there. While the Tanzania country team had views on how to revise the programme strategy, the process did not move forward. All other Finland's interventions on economic development, jobs and livelihoods in Tanzania have been coherent with the Finnish policy framework.

In Zambia, while clearly focused on private sector development, interventions were spread across several sectors with limited continuity and synergies between projects/programmes. The advanced transition process from development cooperation to commercial relations' emphasis and the selected focus on private sector development in the formal sector has meant that focus has not been on directly benefiting the poorest. While PSIs and regional programmes will continue to operate even after the last bilateral programme is wound up, Finnish commercial objectives will gradually be taking the lead in Finnish country-level work.

Finding 2. The evaluated interventions show a high degree of relevance to most of the Case Countries' constraints. However, prioritising the transition from development cooperation to an emphasis on commercial relations over the country's needs in Zambia, the limited scale of interventions in Kenya and uncertainties in meeting the needs of the poorest in Tanzania have dented the relevance. (Based on KEN-F4, KEN-C3, TAN-C2, ZAM-C2, ZAM-3, ZAM-C4)

Issues in all countries were identified with regards to ensuring meeting the needs of the poorest.

The country-specific illustrations of the Country Strategies and interventions relevance to the needs of Kenya, Tanzania and Zambia given below highlight that, while the interventions overall meet the country constraints rather well, issues in all countries were identified with regards to ensuring meeting the needs of the poorest. This had to do either with targeting (Tanzania), rather insignificant scale or reach on the interventions (Kenya) or the overriding nature of the transition agenda (Zambia).

In Kenya, the Fund for Local Cooperation and regional programmes address Kenya's main constraints, although the contribution is indirect and also limited in scale. The PSI-supported interventions contribute to tackling them too. The Country Strategy noted both 'poverty and growing inequalities' as key structural problems in Kenya and, while the objectives of the funded interventions are relevant on this account, their marginal impact (in the absence of the intended bilateral programme) renders their implementation less relevant.

In Tanzania, Finland's forestry programming addresses all those key constraints and one opportunity that were identified as the top priorities in analysing Tanzania's needs in economic development for job-creation and livelihoods. Apart from some exceptions, this applies to Finnfund investments in forestry and agriculture, too. Particularly in the case of closing the skills gap, more could have been done though. While Finland's programming in Tanzania at large is relevant to poverty alleviation and enhancing livelihoods in the informal economy, it faces challenges ensuring it benefits the poorest of the poor. The forestry programming, Finnfund, EEP, TradeMark East Africa (TMEA) and the Enhanced Integrated Framework (EIF) aim at benefiting women operating both at the informal and formal sectors; SAIS mostly those in the formal. While the bilateral programming and Finnfund investments on forestry are highly relevant to the climate change mitigation and adaptation, particularly by increasing the commercialisation of forestry sector, which is crucial for sustainable conservation, Finland is currently not actively progressing any overall Tanzania-specific economic development strategy with resilience to climate change



as its key focus; this seems to be so for any development partner supporting economic development in Tanzania. Some of the Finland-funded programming supports interventions which may contribute building Tanzania a trade and manufacturing hub. Becoming a hub entails, foremost, addressing issues in Tanzania's business enabling environment but Finland's ability to impact Business Enabling Environment in Tanzania is considered limited.

In Zambia, the main guiding principle of Finland's Country Strategy for 2016–2019 has been to create the basis for transitioning to a trade-based relationship with Zambia. The Zambian experience shows that the relevance of this agenda in relation to Zambia's critical constraints for economic development is limited. Contributing to this are the deteriorated macroeconomic environment, worsened by the COVID-19 pandemic, and low levels of trade between Finland and Zambia. In addition to Foreign Direct Investment (FDI) and trade, the Zambian case indicates the need for continued external support to fill its financing gap and address its constraints for economic development, job creation and livelihoods. Within the limitations of reduced financial and human resources for Finnish development cooperation with Zambia and the transition agenda, the selected focus on private sector development, specifically increasing decent work in the informal sector and strengthening the capacity of Micro, Small and Medium-sized Enterprises (MSMEs), has matched Zambia's critical constraints for economic development well. The strategic priorities of the Zambian Government within these focus areas have been consistently incorporated in the designs and scopes of the funded programmes. Finnfund's investment in Zambia is highly relevant for Zambia's critical constraints in terms of creation of decent work in rural areas for youths, for economic diversification and for increased FDI and, based on these encouraging indications, it would be up to the fund to increase its investments in the country.

Finding 3. Due to limited strategising and resourcing, the transition from development cooperation to an emphasis on commercial relation in Zambia has thus far not resulted in the desired increase in Finnish-Zambian trade relations while effectively cutting the development cooperation. (Based on KEN-C4, ZAM-C5, ZAM-C6, ZAM-C7, ZAM-C8, ZAM-C9)

This finding focuses on Zambia, because in Kenya, the Country Strategy does not reflect in any way "transition" as a key topic, and none of the interventions in place provides specific strategic support towards transition. Transition from development cooperation to commercial relations' emphasis in Kenya is only at the drawing table. While trade-based relationships between Finland and the partner countries everywhere are becoming more important, there are no plans, according to the MFA, to start a transition process in Tanzania. Thus, the sub-evaluation question of the Country Strategy's, approaches' and interventions' relevance and effectiveness for the pursuit of transition from development cooperation to commercial relations' emphasis is applicable to Zambia.

In Zambia, Finland explicitly justified the decision to transition from development cooperation to a trade-based relationship (unofficially in 2010, officially in 2016) with the fact that Zambia's economy was growing, and the country had reached Lower Middle-Income status. In retrospect, the justification and decision appear premature considering the fact that Zambia's economic growth relied heavily on copper exports and that the Zambian economy experienced a significant downturn since the drop in market prices in 2015. Since 2016, poverty levels in Zambia have been persistent, FDI levels have been dwindling, and Zambia has become unable to service its debt. Still, the transition process has moved faster than planned as a combined result of cuts in Finnish development cooperation funds, disenchantment due to corruption cases, and a shift in the MFA's strategic priorities.

Unfortunately, the human resources allocated to the transition process in Zambia have been significantly reduced in recent years and are insufficient for the Embassy to effectively build up business partnerships and trade between Finland and not only Zambia but also the Democratic



Republic of Congo and Zimbabwe. The Embassy has intensified its efforts to generate interest in the Zambian market among the Finnish private sectors in the past two years, particularly through Team Finland efforts and an ongoing bilateral programme as well as attempts to link these with regional programmes and PSIs. While interlinkages are possible, the MFA does not, however, have control over the PSIs in order to utilise them for the benefit of a transition agenda, since they operate based on private sector interest and market logic that may or may not align to MFA or partner country priorities.

A prosperous, mutually beneficial trade-based relationship will require continued and increased efforts.

The recent efforts and current instruments available to the MFA have not yet resulted in increased trade relations between Finland and Zambia. A prosperous, mutually beneficial trade-based relationship will require continued and increased efforts. The pilot nature of the Accelerated Growth for Micro, Small and Medium-Sized Enterprises in Zambia (AGS) programme provides an opportunity for lessons learnt in the potential of such a program to support transition, but the currently planned time-frame (implementation phase from March 2020 to September 2022) risks it being closed before achieving the planned results.

4.1.2 Effectiveness in improving the economy and providing jobs and livelihoods

This section assesses the effectiveness of Finnish-funded interventions in terms of achieving the main objective of Priority Area 2: improving economies and providing jobs and livelihoods. It focuses on the overall improvements in economic development, jobs and livelihoods; the aspect of providing these especially for women, youth and the poor, and, in particular, decent, rights-based jobs is looked at in the next section 4.1.3. The main objective of Priority Area 2 is improving economies and providing jobs and livelihoods especially for women, youth and the poor, and in particular decent, rights-based jobs, i.e. Finland's human rights based approach is in the PA2 reflected in the mainstreamed focus on decent and rights-based jobs, and gender equality and reduced inequality is incorporated in the mainstreamed focus on women and the poor. In order to follow the EQs set for this evaluation and to give the HRBA and the cross-cutting objectives full attention, economic development, jobs and livelihoods for women, youth and the poor is focused at under the EQ1.3 covered in the next section 4.1.3.

Sub-EQ 1.2. In what way and how effectively have Finland's country programmes, approaches and interventions contributed to improve the economies and provide jobs and livelihoods especially for women, youth and the poor in the three Case Countries, and in particular decent, rights-based jobs?

As stated in these sub-evaluation questions, evidence provided on is based on the Country Case Studies of Kenya, Tanzania and Zambia (see Volume 2 of this Report for the full Country Case Studies).

Finding 4. Effectiveness in improving economies for jobs and livelihoods showed mixed results across the Case Countries. Forestry programming in Tanzania seems to have been effective; discontinuation of programmes has adversely affected the effectiveness of results in Zambia; and Finland's results in Kenya have been limited in scope. (Based on KEN-F11, KEN-F12, KEN-F13, KEN-F14, KEN-C5, KEN-C6, KEN-C7, TAN-C3, TAN-C5, TAN-C6, ZAM-C10)

Finland's bilateral forestry programmes and Finnfund's forestry investments in Tanzania are and have the potential to be highly effective in improving economies for jobs and livelihoods. While this has also been the case for the bilateral PSD interventions in Zambia, the discontinuation



of programmes as a result of the transition from development cooperation to commercial relations' emphasis has adversely affected the effectiveness of results in the country. In spite of contribution by regional programmes, Finnfund and FLC, Finland's results in Kenya have been limited. More specifically:

Kenya. Finland's country programmes, approaches and interventions under the Kenya Country Strategy 2016–2019 did not directly target access to jobs and livelihoods; employment effects rather occurred as by-products of the regional programmes (EEP and TMEA) and remain marginal in relation to the overall Kenyan needs. Of the PSI, Finnfund's role in improving access to livelihoods and income has been significant compared to the other PSIs. Finnfund investments and the Regional Programmes (EEP and TMEA) have had some positive impact on the private sector and economic activity, while Finland's results in enhancing the business enabling environment and value chains are limited because the intended bilateral programme did not take place. Results of job creation under regional programmes are discussed in Box 2. Also, in Kenya, although the FLC interventions actually directly targeted jobs and livelihoods, the inefficiency of small funding amounts, spread among many beneficiaries and with short implementation periods does not allow them to have substantial impact.

Finland's bilateral forestry programmes and Finnfund's forestry investments in Tanzania are and have the potential to be highly effective in improving economies for jobs and livelihoods.

In spite of contribution by regional programmes, Finnfund and FLC, Finland's results in Kenya have been limited.

Box 2 Job creation under regional programmes in Kenya

Under TMEA, an aggregate 1,451 jobs had been created under the TRAC initiative at the time of its closure in 2017 and the TMEA's evaluation provided indirect evidence of an employment effect by TMEA but manifested especially in self-employment. Under EEP Africa, the 2020 EEP Fact Sheet for Kenya indicates that 2,400 jobs have been created in Kenya since 2010, out of which 750 have been created in the 2016–2019 period, many of them under sales functions. As neither the Kenya Country Strategy had any form of quantifiable expectations, we cannot judge whether objectives were achieved or not. Seen in the context of Kenya's employment needs with entrance of 800,000 jobseekers every year, the direct job-creation is of course very marginal.

EEP's engagement in Kenya is expected to contribute to the dynamism of the Kenyan economy in the off-grid energy sector as well as in job creation. Similar, TMEA, through enhancing the trade environment has been assessed to have had a direct contribution of 0.7% of Kenya's economy between 2011–2017 and this contribution is set to increase with time as the impacts of investments in trade infrastructure, trade integration, harmonisation of policies and the like continue to be felt.

In Tanzania, Finland's long-term programming on forestry has brought about a large number of jobs. Assessment by Tanzanian authorities brought up in an interview for this evaluation reveals that over 400,000 jobs have been created in forestry value chains. The challenge remains on how to isolate direct contribution of Finland's forestry programming; predominantly the predecessor programmes of the current main bilateral forestry programmes, FORVAC and PFP II and Finnfund; nevertheless, Finland being the only donor in commercial forestry and Finnfund investing in all the significant fully commercial forestry ventures in the country, the contribution by Finland to these jobs is bound to be remarkable. The current forestry programmes are well on track to continue the significant contribution to job creation and overall contribution to dynamic economic activity in Tanzania; materialising the gains from the current programming requires a long-term commitment though. For some key results of the recent-past forestry programmes and the outlook of the current main programmes, FORVAC and PFP II, see Box 3.



Box 3 Forestry programmes in Tanzania

It may not be feasible to assess how many of the stated 400,000 jobs created in the forestry sector in the recent past have been contributed to by Finland's ongoing and particularly earlier forestry programmes, National Forest and Beekeeping Programme (NFBKP II, 2013–2016), Lindi and Mtwara Agribusiness Support (LIMAS, 2010–2016), and Private Forestry Programme 1 (PFP 1, 2014–2019). However, PFP I, predecessor to both PFP II and FORVAC, supported establishment of nearly 12,000 ha of smallholder plantations and thus generated an asset with net present value of about €17 million (at a discount rate of 6%) as in December 2018.

Studies carried out by the programme found that, in 2016–2018 (the implementation period of the PFP I was from 2014 to 2019), the reported average annual income in the programme's core area of operation increased from TZS 1.8 million to over TZS 2.2 million. The wealth ranking scores and food security of beneficiaries also increased, as did their access to health services. In late 2018, since few plantations were mature enough to harvest, only a minority of the interviewed beneficiary tree growers reported having received income from selling wood. However, those who had sold wood earned more than half of their annual incomes from such sales. This profitability demonstrates the potential that tree growing has to support livelihoods in the programme's area of operation. According to the PFP I completion report, under commercial management, these 12,000 ha of new plantations would create about 400 jobs.

Finland's main programming in Tanzania on economic development, jobs and livelihood, namely the forestry programmes, with funding decisions made in 2016–2019, is still in the early stages of implementation. FORVAC had a slow start with the Inception Phase (07/2018–06/2019) spent mostly on planning. Even before, it took the Government of Tanzania about 12 months to endorse the programme for implementation. According to the Annual Progress Report 07/2019–06/2020 and supporting interviews, taking into account the rather late mobilisation of the three regional Cluster Coordinators (CCs) in April 2019 crucial to get the operations going, and the COVID-19 crises, FORVAC's Annual Work Plan 2019–2020 turned out to be ambitious. Still, implementation is in line with the Overall Workplan and some progress had already by mid-2020 been made towards a provision of better access to decent work, livelihoods and income by the programme beneficiaries, including women.

PFP 2 started de facto 11/2019 with an 8-months Inception Phase to catch up with the Tanzania fiscal year, i.e. it is, since 07/2020, on its first year of actual implementation and there is not yet much to report in terms of the results of this Phase of the programme. The overall objective of the programme is "to promote sustainable and inclusive private forestry that contributes to Tanzania's economic growth and alleviates poverty". The programme aims to achieve this by engaging with people who are involved in the value chain and enabling them to improve performance. Recognising that this is a long-term endeavour the programme was conceived as a sixteen-year intervention to be delivered in four phases. Phase 1 run from 2014 to July 2019.

The forestry programming and Finnfund's investees are in Tanzania building commercially viable responsible forestry value chains. For all of them, issues pertaining to forestry business environment pose risks. According to various stakeholders interviewed for the Tanzania Country Case Study, Tanzania's current administration holds an aversion/suspicion over all things "private". As a result, moving from the PFP I to PFP II, even the name Private Forestry Programme had to be changed to Participatory Plantation Forestry Programme. At the programme level, what can be done about the situation with regards to this and the overall administrative context,



is limited. Finalisation of the National Forest Policy is still pending too. Both FORVAC and PFP play facilitating role in enhancing Tanzania's business environment and market on forestry but the BEE issues addressed by the forestry programmes are limited in number and scope, and it is unclear into what extent the efforts, approached bottom-up, are contributing to the bigger picture of enhancing the BEE.

In Zambia, the discontinuation of programmes as a result of the transition decision has adversely affected the effectiveness and sustainability of results achieved in Finnish funded interventions in terms of economic development, job creation and increased livelihoods opportunities. Box 4 provides a summary overview of the recent discontinued programmes in Zambia.

Box 4 Programmes in Zambia

Since 2016 four large programmes contributing towards Priority Area 2 objectives have been funded by Finland in Zambia through bilateral or multilateral thematic funding. The Decentralised Forestry and Natural Resource Management Programme was designed to run over the course of 12 years. Because of the decision to phase out development cooperation in Zambia and focus on private sector development and social protection the programme was, however, ended after what was meant to be the introductory phase. While the programme directly contributed to the development of the regulatory framework that now allows community level management of forest land and other natural resources, many of the planned results could not be achieved. The Zambia Green Jobs Programme gained good momentum by the end of the programme, reportedly generated thousands of new jobs and improved the quality of an equivalent amount of existing jobs. Yet, due to the transition decision, the programme was not continued beyond the first phase and continued demand for green construction could not be ensured. The SPIREWORK project, aiming to develop a benefit prototype that could potentially allow the extension of social protection to 87% of the Zambian work force is set to end by the end of the year 2020 before the piloting exercise can be completed. Sustainability of the project is likely and commitment in the Zambian counterpart, NAPSA, is strong, but this means that the project will not be able to produce tangible results by the time it ends.

The MFA's flagship programme for the transition process, the AGS programme, finally got off the ground in September 2018 after a lengthy design process. After a rocky and extended inception phase, it is now rolling out in the second half of 2020, challenged to some extent by COVID-19. The original end-date is set for August 2022, generating similar concerns to those in the near future, i.e. as to whether the remaining implementation period will be sufficient for fulfilling its purpose and objectives.

4.1.3 Effectiveness in advancing the Human-Rights Based Approach and cross-cutting objectives

This section covers the cross-cutting objectives of human rights-based approach, gender equality and reduced inequality as they are reflected in the focus on decent and rights-based jobs and focus on women and the poor, as well as climate change mitigation and adaptation.

Sub-EQ 1.3. *In what way and how effectively have the country programmes, approaches and interventions related to economic development, job creation and livelihoods in the three Case Countries contributed to advancing the Human-Rights Based Approach and cross-cutting objectives of gender equality, reduction of inequality (and climate change mitigation and adaptation)?*



As stated in these sub-evaluation questions, evidence provided on is based on the Country Case Studies of Kenya, Tanzania and Zambia (see Volume 2 of this Report for the full Country Case Studies).

Finding 5. Finland’s interventions across the Case Countries showed mixed results in advancing a Human-Rights Based Approach (HRBA), gender equality and reduction of inequality. (Based on KEN-F11, KEN-F12, KEN-F13, KEN-C5, KEN-C7, TAN-F9, TAN-F10, TAN-F11, TAN-F12, TAN-C4, ZAM-C11)

Interventions in Kenya effectively advance HRBA, gender equality and reduction of inequality.

While interventions in Kenya effectively advance HRBA, gender equality and reduction of inequality their scale renders impact limited; in Tanzania the scale of the intervention would allow for a wider impact but the forestry programmes ability to effect HRBA, gender equality and reduction of inequality outcomes is not yet clear. In Zambia, time pressure and targets for maximising the number of jobs has limited the ability to specifically benefit women, youth and the poor.

In Zambia, time pressure and targets for maximising the number of jobs has limited the ability to specifically benefit women, youth and the poor.

In Kenya, the percentage of the PSI, FLC and EEP jobs created among women and youth is strong and most are decent, as they are in the formal sector. Those in the informal sector have been useful in supporting livelihoods especially of the rural populations as well as youth. The FLC projects considered for the Kenya Country Case Study have demonstrated the potential impact of the FLC projects in job creation and improving livelihoods among women and youth in the main. In addition, they have been targeted in the rural communities and have utilised resources within the reach of these communities, with some good innovations like tapping the potential of essential oils. This impact can be enhanced if the FLC is used strategically to achieve targeted results.

Not only have the projects been strong on creating opportunities for jobs and / or income generation, they have also been innovative in approach and they focus on marginalised groups. However, given the budget available for the FLC projects, the number of projects funded, the size of funding amounts given to these projects and the duration for implementing the projects, the FLC interventions have not been used as a strategic tool. They have rather been used as a public relations tool to link the Embassy to various actors, in the areas the bilateral programme focuses on. The small budget for the FLC is spread too thinly to have as much impact as it has potential to. In addition, most of the results framework focus on outputs to be produced (which is expected given the short duration of the projects); and there does not seem to be any follow up after the project closure to establish how the projects started have progressed, nor what additional support they may require to maintain momentum, scale up or sustain the business. In addition, there is no effort to link FLC project partners to other instruments. This means that even projects that have the potential to grow substantially and offer potential opportunities for Finnish businesses are not exploited. For example, the NGO Help Self Help Centre (HSHC) management indicated the unexploited potential, especially for the supply of essential oils to Europe market, which is hampered by limited processing capacity, as well as lack of certifications.

Box 5 presents some of results of the regional and FLC programming in advancing HRBA and equality in Kenya.



Box 5 Advancing HRBA and equality in Kenya

In terms of gender and human rights-based approach, EEP Africa reports that 47% of projects supported (all countries) have women in leadership roles. EEP undertook in 2017 in-depth study of gender in the EEP portfolio. The study concluded that as “consumers and users of energy, women and girls benefit the most from clean, efficient energy solutions”. By focusing mainly on low-income groups (due to the nature of the projects), EEP can also be considered to have a strong dimension of equality embedded in the approach. Gender is also a focus area of TMEA and the impact of the programme on gender has been subject for several studies recently. A gender study in 2018 saw significant areas of progress in TMEA’s gender mainstreaming work, such as successful implementation of Women and Trade, that most TMEA programmes collected sex-disaggregated data, advanced gender sensitive work in border infrastructure and, to some extent, supported the inclusion of gender concerns into specific trade policies. According to the 2018–2019 evaluation, TMEA’s gender-related projects were effective in working with women informal cross-border traders to improve their ability to trade. Its export capability projects had some successes with improving access to markets and increasing income, though this work was carried out at pilot scale and no evidence showed systematic change. The TMEA evaluation concluded that: TMEA’s Women and Trade projects seemed to have yielded considerable benefits for many of the participants. These included increased cross-border trade, increased income, improved ability to save money, greater self-confidence and self-reliance, and the ability to take on new roles in the community as a result. The spread effects of these positive impacts typically included improved access to food, education or higher quality education, and health services for their families and installation of electricity in their homes and/or businesses.

Based on the FLC projects reviewed, as well as the Annual reports to MFA from the Embassy, the *potential of the projects to be catalytic* is strong. From the HSHC, an estimated 3,000 jobs were created, directly benefiting women and youth. The potential to create more jobs is even higher if a more targeted approach incorporating support to upscale is pursued. Under Yusudi Ltd, 451 youth (27% from vulnerable backgrounds) were impacted through skills development and empowerment for growth in career or entrepreneurship within the blended learning program. The potential reach is also high – Yusudi’s targeted outcomes is to provide a 100% increase of monthly income for 300,000 youth over the period ending 2018–2023. The gender dimension is also well taken care of in the FLC projects. Under HSHC for example, the target is women and youth who are predominantly active in the agricultural sector. The 21 seed collection groups that were formed were required to be youth or women led. Through the women-led collection centres and the trainings on advocacy and engagement, as well as securing right from the County governments to access the forests, the rights of the women are safeguarded. Yusudi is also strong on gender -although the program supports both men and women, the final Project Report notes a higher participation of women at 59.5% against 40.5% in the number of participants for Phase II.

In Tanzania, significant effort has been placed in addressing HRBA and gender concerns in Finland’s current forestry programming. Yet, there are still HRBA and gender issues related in particular to equitable division of economic benefits that need to be solved and require continuous and profound attention; these are summarised in Box 6.



Box 6 Advancing HRBA and equality in Tanzania

HRBA and gender have attracted a lot of concern and guidance in the forestry programme development, appraisals and evaluations. FORVAC and PFP have assumed human rights-based approach and mainstreamed gender. Yet, it seems that there are some fundamental issues pertaining to land management; indicating ownership of planted trees; ensuring fair division of forestry income within the household, etc. in which it has not been ascertained that the programmes have the capacity, resources and tools to try and make things right.

FORVAC met its target for 2019/2020, where an extension strategy was developed on the principles of HRBA, incorporating value chain development. This may, however, not be enough to ensure successfully tackling all human rights issues, nor to communicate to the stakeholders the significance FORVAC places on it.

PFP II's baseline surveys and Human Rights Situation Analysis (HRSA) could not be developed during the programme's inception phase; the COVID-19 pushed back big part of activities scheduled for the phase and most PFP 2 staff were only contracted to start in July 2020. PFP II's approach to encourage women to own assets including land is expected to facilitate gender equality in forestry sector though. Among specific interventions spelled out is facilitation of land ownership among women through their economic groups, training women on forestry practices and assistance in getting employment in the value chain.

In Zambia, as presented in Box 7, time pressure and targets for maximising the number of jobs created through Finnish-funded interventions has limited the ability of bilateral private sector development programmes to specifically benefit women, youths and the poor for decent, rights-based jobs. Essentially, programmes would need to clarify from the outset whether they are prioritising targeting the poor, women or youths or creating a maximum number of jobs and be designed accordingly. As evidenced e.g. in the Zambia Green Jobs programme, the objectives can be combined but there will be some trade-offs.

Box 7 Advancing HRBA and equality in Zambia

An example is the AGS programme, which is designed to maximise the number of jobs created within the available budget and timeframe and to match this objective with linking supported MSMEs with Finnish counterparts. The approach is to work with formally registered, relatively well established MSMEs or those that have good potential for growth, since these can be expected to grow faster and generate most jobs as a result of programme support. While the programme includes a target for women-owned businesses among supported MSMEs (30%) the focus on the formal sector means that it excludes the majority of women, youths or the poor. As part of its ambition to target the most vulnerable members of society, the Green Jobs programme did start out by focusing only on small-scale contractors/MSMEs. This proved to be at the expense of private sector development and job creation, since the capacity of these enterprises to grown tends to be low and affected their ability to create jobs and to participate in the value/procurement chains of larger anchor companies.



Finding 6. Finland's interventions across the Case Countries showed mixed results in addressing climate change and adaptation. (Based on KEN-C8, TAN-C7, ZAM-C12)

Forestry programming in Tanzania is effective in addressing climate change mitigation and adaptation; the regional programmes, PSIs and FLC play a role on this account in Kenya; in the transition from development cooperation to commercial relations' emphasis in Zambia, no programming quite addresses the issue. *In Kenya*, the EEP especially and TMEA, FLC and some PSI instruments have played a role in addressing the problem of climate change, although the Finnish Country Strategy for Kenya does not directly target adaptation to climate change. *In Tanzania*, by bringing in the aspect of sustainable, commercial utilisation of forestry resources, the forestry programmes play a vital role in the national's efforts towards combating climate change effects. The two programmes assist in technology transfer where appropriate and efficient technology is utilised in timber processing. *In Zambia*, programmes funded after 2016 have not targeted climate change. Considering the adverse effect that climate change is having on the Zambian economy through e.g. failed harvests and the energy crisis, the issue would have merited a stronger focus in subsequent projects and programmes. However, private sector development and job creation has been prioritised in major interventions funded after 2016. For further summaries of Finland's programming in economic development, jobs and livelihoods in addressing climate change and adaptation in Kenya, Tanzania and Zambia, see Box 8.

In Tanzania, the forestry programmes play a vital role in the national's efforts towards combating climate change effects.

Box 8 Addressing climate change and adaptation in the case study countries

Kenya: The EEP is a strongly environment and climate-oriented programme that has played a significant role in introducing and scaling up renewable technologies in Kenya, reducing Co2 emissions as well as enhancing access to clean energy to over 3 million persons since 2010. TMEA on the other hand, though only starting to pay attention to climate change in the recent years is integrating the issue into its programming, with a funding framework in place. For FLC projects, some like HSHC also have positive spill-over effects on climate change, albeit marginal ones.

Tanzania: FORVAC has set out to show that sustainable commercial use of community-based natural forests brings in more gains in climate change mitigation and adaptation than conservation. Growing trees and effecting behavioural change is slow and there is not yet a decision on any follow-up programme to FORVAC. The PFP assists to retain trees and get them to the optimal age where such timber fetch higher price but also assist conserving the environment. The programme has introduced new species for diversification and made available seeds.

Zambia: The Finnish 2012 Development Policy had a particularly strong focus on climate change and green growth. Programmes that originate from that time, including the DFNRMP, the Green Jobs programme, and even EEP Africa have had a clear focus on these elements. Later interventions, such as the AGS programme and the SPIREWORK project have focused on generating new jobs and improving the quality of existing ones. The AGS programme document does not mention climate change. The AGS programme's focus is understandable considering its role as a vehicle for the transition process and its principal aim to support the growth of Zambian MSMEs, generate as many jobs as possible and increase business partnerships between Finland and Zambia. A strong focus on climate change issues may have been at the expense of other priorities. Considering the effects that climate change is having on the Zambian economy in the form of failed harvests and the energy crisis, continued and serious attention to reducing deforestation and climate change mitigation is, however, still needed.



4.1.4 Role of the Private Sector Instruments in the development cooperation

Sub-EQ 1.4. Overall, what is the role of the Private Sector Instruments in the development cooperation within the context of the Finnish government's policy framework? How these instruments interact (or not) with other forms of development cooperation and between themselves? What is their coherence with Country Programmes and development policy? How grants, loans and commercial investments complement one another (or not)? What is the role of the PS instruments in the transition ?

Evidence provided on this sub-evaluation question is based on the PSI Study (see Volume 2 of this Report for the full PSI Study and its PSI Annexes of Finnfund, Finland – IFC Blended Finance for Climate programme (FIBFC), FP, PIF, BEAM and FCAI).

Effectiveness of the PSIs at instrument level is assessed based on the MFA ownership guidance and RBM (how effectively does the ministry guide the instruments); policies followed and tools used by the instruments (how do they implement the MFA guidance/put it in practice); relation to other PSIs; their relation to other PSIs and; their decision portfolio (2016–2019). Effectiveness of individual PSI interventions is difficult to assess due to their market/demand driven nature.

Finding 7. While all the PSIs had at least satisfactory relevance vis-à-vis Finnish development policy goals, there is variance between them when it comes to relevance vis-à-vis partner country needs. (Based on PSI Annex)

At the institutional programme level relevance is fairly good.

At the intervention level, practically all PSIs are more or less demand/market driven, which does not necessarily fit with the alignment with the Finnish policy goals and the MFA RBM. At the institutional and programme level their relevance depends on the roles, mandates and operational models vis-à-vis the Finnish development policy goals. From this perspective their relevance is fairly good.

At the same time, it is the demand/market driven nature of the PSI interventions that makes them supportive to transition from aid to other forms of cooperation, as well as the other Finnish policy goals (e.g. internationalisation of Finnish enterprises).

Finnfund is being guided by ownership instructions to target poorest segments of partner country societies.

In terms of relevance vis-à-vis partner country needs, FIBFC and PIF are being at least a priori (based on the operational logic) most closely linked to such needs, and Finnfund is being guided by ownership instructions to target poorest segments of partner country societies.

Finding 8. The lack of overall strategic guidance on PSIs, and inconsistencies in current steering arrangements negatively affected the effectiveness of the assessed PSIs. (Based on PSI Annex)

Sometimes one-size-fits all approach is used in the steering/guiding the PSIs, sometimes requirements differ from each other. No explanation and/or reasoning is available that would justify these choices. The MFA guidance does not tackle and clearly take a stance regarding the fundamental trade-offs inherent when trying to leverage private resources to public (development policy) purposes. With some simplification it can be said that the MFA steering appears to be most rigorous and detailed in the cases of Finnfund and Finnpartnership, and most relaxed in the cases of FIBFC and BEAM.

Finding 9. The sets of policies and tools that the MFA deploys, and its rigorousness in steering and controlling the PSIs varies significantly from one PSI to another. This disproportionately burdens some of the PSIs. (Based on PSI Annex)



This affects the MFA's ability to monitor and control the instruments' effectiveness, and also burdens the instruments' administration and management in a way disproportionate to their financial resources, or the size and nature of supported projects.

For example, Finnfund is much more rigorously steered in the area of tax responsibility, and deploys policies and tools more tightly linked to the MFA guidance, than FIBFC. FP eligibility and reporting requirements are very heavy in relation to the average size of its projects.

Direct comparison of instruments in this respect is not recommendable, due to their differing natures and purposes. Finnfund and the FIBFC, however, have the most complete and systematic sets of policies and implementation tools, which implies high effectiveness.

Finding 10. The PSIs do not provide a continuum of support, finance and services for companies' growth or the commercialisation of their innovations. *(Based on PSI Annex)*

The gaps in the offered financing/support are partly caused by the compliance costs of the stringent MFA guidance, and lack of tailoring it according to instruments' roles and characteristics. High compliance costs guide for example Finnfund towards larger, at least €1 million projects. Consequently, though Finnfund hosts and manages the FP programme, there is a negligible number of companies or projects that have "graduated" from receiving FP support to being considered for financing by Finnfund. FP projects and supported companies are normally far too small for this. The same applies to BEAM and Finnfund

The instruments also have differing, sometimes conflicting policy goals, and there is relatively little cooperation and collaboration between the instruments. For example, FIBFC has little to do with other instruments, except Finnfund (one potential joint investment in the pipeline) and FCAI appears to operate fairly separated from other instruments.

Except PIF, and to some extent FP the instruments assessed here have little cooperation with MFA /embassies in addition to more general level exchange of information and co-participation in different kinds of events. The embassies have actually no role in the support/finance selection and management processes of the PSIs.

Finding 11. Generally, the portfolios of the assessed PS instruments were in line with the guidance and objectives that the MFA has set for them. Guidance, policies and tools were also in line with each other in those cases. *(Based on PSI Annex)*

Being mostly demand/ market driven, the PSIs do not, unless they have been given geographic eligibility restrictions, necessarily focus on projects / investments in the poorest countries. This is especially visible in PIF project proposals and BEAM interventions, of which a fairly large share goes to lower middle-income countries (LMICs) or upper middle-income countries (UMICs). This appears to have been in line with what the MFA has expected from these instruments. It is also to be remembered, that PSIs have to serve various, differing policy goals (e.g. goals related to development and environment policy, and ones related to internationalisation of Finnish businesses.)

Of the FP's BPS projects, Finnfund investments and FIBFC commitments a major part, in some years even the majority has gone to Africa and especially to LDC or Low-Income Countries. During its first years of operations FCAI has made mostly joint/indirect (through funds) investments in LMIC or even UMIC countries, partly for liquidity management purposes. This is obviously not in line with FCAI's long term intentions or MFA expectations, but can be explained by the early stage of launching the company's investment operations.

Direct comparison of instruments is not recommendable, due to their differing natures and purposes.

The gaps in the offered financing/support are partly caused by the compliance costs of the stringent MFA guidance, and lack of tailoring it according to instruments' roles and characteristics.

The instruments have differing policy goals and collaboration between them is rare.



Also, the sector division of the PSI supported/finance activities appears mostly to be in line with the MFA guidance. Finnfund and FIBFC, for example, have in their strategies or programme documents a sector prioritisation defined by the MFA, and their financing decisions follow these instructions. PIF also has sector prioritisation, though a more relaxed one, and it is not yet certain, what will the sector distribution of the portfolio be like, once the pipeline projects proceed to decision phase. BEAM and FP do not have sector limitations, and the sector distribution is highly dependent on the applicants' business interests.

4.1.5 Role of energy, innovation, taxation and WEE in the PA2

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

Evidence provided on this sub-evaluation question is based on the Thematic Annexes of Energy; Innovation; Taxation, and WEE (See Annex 8 for the full Thematic Annexes).

Finding 12. Finland's programming in energy, innovation, taxation and women's economic empowerment is in almost all cases highly relevant to the Finnish development policy framework and partner country needs. *(Based on Energy, Innovation, Taxation and WEE Annexes)*

In the field of *energy*, the Finnish development cooperation is mostly relevant when assessed against the Finnish development policy goals and partner country needs (with variations in both between the instruments through which resources are allocated). The relevance of Finnfund, FIBFC, BEAM, FP and PIF vis-à-vis partner country and beneficiary needs is discussed more in detail in the Annexes to the PSI Study of this evaluation. Findings and conclusions on the demand/market driven instruments BEAM and FP, and, to some extent, Finnfund can be extended to apply to EEP, too.

Not supporting and financing solely Finnish, but also developing country companies, the EEP plausibly has more interface with local needs than e.g. BEAM and Finnpartnership. As explained more in detail in the PSI annex, there are good reasons to expect FIBFC to be in line with partner country needs, due to the process through which the IFC country programmes are prepared.

In the field of *innovation*, the Finnish innovation support assessed for this Evaluation is relevant against the Finnish development policy and partner country needs. The 2016 Development Policy placed innovation in the PA2 Outcome 4 "better use is made of new know-how, value chains, technologies and innovations that respect sustainable development" and also considers innovation as an overall, cross-cutting, means to an end. Finland's most relevant interventions in innovation have been the long-term bilateral programmes (Vietnam, Tanzania) where the MFA has shouldered a remarkable effort in building the local innovation eco-system. Yet, Finland's support to innovation through the UN and International Financial Institutions (IFIs)

seems also relevant. Particularly United Nations Children's Fund's (UNICEF) Innovation Fund, addressing the SDGs across all UNICEF's Strategic Plan Areas, and United Nations Population Fund's (UNFPA) Innovation Programme, addressing digital health projects linked to Sexual and Reproductive Health and innovation projects linked to data and vital statistics, both supported by Finland, generate innovations and interventions highly relevant to the communities they target in the several dozen countries they operate in.

In the field of energy, the Finnish development cooperation is mostly relevant.

The Finnish innovation support assessed is relevant against the Finnish development policy and partner country needs.



In the field of *taxation*, relevance of the MFA's Tax and Development Action Plan of 2016 against the overall government policy and developing country needs was mostly good. There were and are, however little in the Action Plan and its implementation on the equity, structure and incidence of taxation, which often are determined not just by the technical taxation system, but especially by the political will of those in power. Technical assistance to tax bureaucracies is important but does not suffice to make real difference on how and how much taxes are collected, and how the public returns are used. It is not clear whether and how the 2016 Action Plan has tackled this challenge. The bilateral support given to Tanzania reflects this well. Experience of taxpayers, especially of companies is very negative. When it comes to MSMEs it may well affects their will to formalise their businesses.

Relevance of the MFA's Tax and Development Action Plan of 2016 was mostly good.

In the field of *WEE*, Finland's relevant support is channelled through multilateral organisations, multi-bi programming and non-governmental organisations. For instance, stated in the Evaluation of Finnish Development Policy Influencing Activities in Multilateral Organisations (2020), Finland has "enhanced women's entrepreneurship and participation in trade in International Trade Centre (ITC) operations". Similarly, for example the Fairtrade Finland's programme 2014–2017 with focus on more sustainable livelihoods of small-scale coffee producers in Central America, with gender equality as a crosscutting theme, and the Trade Union Solidarity Centre of Finland's (SASK) collaboration with trade unions of domestic workers in different countries and with a relatively wide reach, have both addressed issues highly relevant to WEE. To note, the term WEE is not present in the 2016 Development Policy, nor in its Theories of Change (2020). WEE plays, however, a significant part in the PA2, where it is in particular linked to decent work, livelihoods and income. The WEE supported by Finland is highly relevant to the recipient countries.

In WEE, Finland's relevant support is channelled through multilateral organisations, multi-bi programming and non-governmental organisations.

Finding 13. Finland's support to energy, innovation, taxation and women's economic empowerment has been widely effective. In taxation, a planned monitoring and reporting tool for the 2016 Action Plan was never constructed nor were there specific tools available for assessing the effectiveness of the other sectors. (Based on *Energy, Innovation, Taxation and WEE Annexes*)

In the field of *energy*, the effectiveness in contributing to Finnish policy goals is mainly good, with reservations regarding instruments like FP and BEAM (because of the nature of these instruments) and on the other hand regarding the multilateral organisations (lack of information needed to assess the effectiveness, and to differences between the policies of MFA and those institutions). A considerable part of Finnfund's new investment decisions has been channelled to the renewable energy sector in the form of financing that has been scarce in many developing markets. This sector is now maturing in e.g. Africa, which creates a need to find new niches to add value in the market.

Finland has supported energy sector cooperation with considerable amounts between 2016–2019, and in terms of the commitments, energy is the largest sector that received PA2 funding (see the portfolio analysis in Section 3.2.2). However, transparent and published principles to be followed are lacking in this field, as is the reasoning behind them. Also, the role of the multilateral organisations should be analysed and possibly reconsidered. The evaluation has found no evidence regarding an increase of effectiveness of resource use when funding is directed through multilateral, compared to bilateral channels. On the contrary, several interviewees saw that it has negatively affected the effectiveness of the resource use, and possibly hampered the achievement of some key policy objectives, including transition from grant and aid-based cooperation, and participation of the Finnish stakeholders, including private sector entities, research institutions and NGOs, in the energy sector cooperation.

Energy is the largest sector that received PA2 funding.



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

In the field of innovation, Finland is a high achiever.

In the field of *innovation*, Finland is a high achiever. Most learning is from and value added through the long-term bilateral innovation programmes. Regional programming allows for some but not equal keeping up with the developing country innovation developments. Continued bilateral presence in innovation would benefit Finland to maintain its relative global lead and its high relevance in innovation in the UN context as well as open doors for the Finnish business interest. Classification/rating of Finland's development interventions in general and PA2 interventions in particular does not allow for systemic indication of interventions as innovation-related. The "Innovation Portfolio", relevant to Economic development, job creation and livelihoods, assessed in this evaluation and presented in the Thematic Annex, is constructed based on information from the relevant MFA and other interviewees as well as applicable secondary sources, such as development results reporting and evaluations.

The Final Evaluation of the Innovation Partnership Programme (IPP), Phase II, of Vietnam (2019) found that the activities of the programme had contributed to the development of the innovation ecosystem, the creation of legislation promoting innovation and start-up activities and the adoption of a new innovation culture. Also, the innovation ecosystem had strengthened (in terms of more actors joining, density and number of connections increased) during the implementation of the IPP II programme. Already in 2013, the Mid-Term Review of the Tanzania Information Society and ICT Sector Development Project (TANZICT; 2013) concluded that the concept and objectives of TANZICT were relevant, well received, and achievable. With further adjustments and improvements in the TANZICT implementation thereafter made, as the Updated Completion Report (2017) and a number of interviewees noted, as the project drew to an end, it was revealed by third party observers that Tanzania had made significant progress in Science, Technology and Innovation (STI). The Africa STI Capacity Report ranked Tanzania Second in Africa in STI, and TANZICT was instrumental in enabling this achievement.

The Africa STI Capacity Report ranked Tanzania Second in Africa in STI, and TANZICT was instrumental in enabling this achievement.

In the field of *taxation*, the implementation of the 2016 Action Plan fell short of what was planned. Finland also did not live up to the commitments made in the Addis Tax Initiative (ATI) regarding the DRM support to developing countries. Shown in the Thematic Annex Taxation, in 2016–2019 the MFA made 13 commitments related to DRM. The only bilateral programme funded by the 2016–2019 decisions was the support to Tanzania, through an ICI-funded twinning project between the Vero (Finnish Tax Administration) and Tanzania Revenue Authority (TRA). The decision of €1 million was made in 2017, the programme started in 2018 and is expected to continue until 2021 (with the completion date postponed partly due to Covid-19). The programme aims at increasing tax compliance in Tanzania, with experts from Vero training the TRA staff in e.g. compliance, internal auditing, taxpayer services and communication. In compliance the particular focus is on business taxpayers, and voluntary compliance. The programme also includes support to strengthening the approach and management of TRA internal audit. Additional commitment of €260,000 was made in 2019 for the development of TRA's integrated domestic revenue administration system. By trying to strengthen the institutional capacity of TRA, the programme is in line with the TRA's corporate development plan (the "5th Corporate Plan", CP5). The MFA supports the TRA's CP5 also through a bi-co-financing arrangement. A decision of €4 million was made in 2017. Other participants in the basket fund are Norway, Denmark and EU.



Overall, it is difficult to assess the effectiveness of Finland's development cooperation in taxation due to e.g. that the planned monitoring and reporting tool for the 2016 Action Plan never was constructed and taken in use; and the major part (92%) of the DRM support has been allocated through multilateral or similar channels, in which Finland has conceded some or all of the resource utilisation decisions to the funded organisation, the results reporting of which does not necessarily match the MFA needs vis-à-vis the AP. There was also little in the implementation that would have supported the 2016 AP's objectives related to "... institutions connected with the use and supervision of state assets ... have been developed or reformed" and "civil societies... ability to hold governments accountable for increasing tax revenues and using them for public services has improved".

In taxation, the planned monitoring and reporting tool for the 2016 Action Plan was never constructed.

In the field of *WEE*, through supporting effective multilateral, multi-bi, and NGO programming on WEE, Finland is yielding results against the PA2 Outcome "everyone, including women, young people and the poorest, have better access to decent work, livelihoods and income". Classification/rating of Finland's development interventions does not allow for systemic identification of interventions as WEE-related. The "WEE Portfolio" assessed (and in more detail presented in the Thematic Annex WEE) is constructed based on information from the relevant MFA and other interviewees as well as applicable secondary sources, such as development results reporting and evaluations. It does not attempt to be conclusive but it does present a wide range of interventions supported by different MFA departments.

Stated in the Evaluation of Finnish Development Policy Influencing Activities in Multilateral Organisations (MFA Finland, 2020), Finland has "enhanced women's entrepreneurship and participation in trade in International Trade Centre (ITC) operations". By the end of 2019, based on ITC's reporting, ITC's SheTrades -initiative had resulted into commitments to connect 1.5 million women to markets against a target of connecting three million by 2021. The initiative had generated US\$145 million in business leads for women-owned businesses and created over 3,000 new jobs with 70% of new jobs going to women. While these results are remarkable, they only be evaluated in 2021 though.

Finland has "enhanced women's entrepreneurship and participation in trade in International Trade Centre (ITC) operations".

Of the interventions assessed for this Thematic Annex, the rights based approach is perhaps most closely adhered to by some of the interventions from the NGOs supported by KEO-30 (illustrated by for example the Finn Church Aid's programmatic theme 'the right to livelihood') and the multi-bi "The Way Forward after the Revolution: Decent Work for Women in Egypt and Tunisia-Phase II" -project funded by ALI-40 and implemented by ILO. The latter has provided a cornerstone to build a whole gender portfolio around, and ILO is now implementing gender-projects funded by Sweden and the Netherlands too. Furthermore, the project's strategy being embedding gender across other ILO's thematic areas, it has ensured collaboration across other ILO projects implemented in the two countries. Finnish Embassies in both Egypt and Tunisia have actively taken part in events and occasions of the project. ILO's assessment is (ILO: "The Way Forward after the Revolution: Decent Work for Women in Egypt and Tunisia - Phase I", Progress Report from January to December 2019; February 2020) that given the significant progress achieved by the project in 2019, it is high likely that the project will achieve its planned outcomes. The Thematic Annex WEE presents the results of a number of multi-, multi-bi, and NGO-interventions supported by the MFA which are rather positive.

The rights based approach is perhaps most closely adhered to by some of the interventions from the NGOs and multi-bi programming.



Finding 14. Plaguing the coherence of the thematic areas assessed was the lack of a strategy aimed at concerting and consolidating their efforts, including vis-à-vis Private Sector Instruments. An exception was the “Tax and Development Action Programme” but, focusing on building the technical capacities of revenue authorities, it did not address issues pertaining to deficits in good governance. (Based on Energy, Innovation, Taxation and WEE Annexes)

In the field of energy, funds are channelled predominantly through PSIs and multilateral organisations.

In the field of *energy*, funds are channelled predominantly through PSIs and multilateral organisations. Where and at what level the decision of this policy has been decided, could not be found in the documentation available and interviews made for this evaluation. The MFA does not currently have a valid policy or guideline for the energy sector cooperation.

In the field of innovation, there are gaps in the support available by the PSIs to both Finnish companies and their developing country partners.

In the field of *innovation*, there are gaps in the support available by the PSIs to both Finnish companies and in particular to their developing country partners. Hopes have been raised for the successor programme to BEAM, the Developing Markets Platform (DevPlat) to play a significant role in innovation funding for both Finnish and their developing country partners, and bridge some of the gaps.

In the field of taxation an effort is currently being made to form a coherent policy.

In the field of *taxation*, considered in this Evaluation as a part of the PA2-portfolio, an effort is currently made to form a coherent policy. As part of the implementation of the 2016 Development Policy the MFA prepared a “Tax and Development Action Programme” for the period 2016–2020. In June 2020 the MFA published a new, “Taxation for development Finland’s Action Programme 2020–2023”. It links closely to the current (2019) Government programme of Finland, that states: “Finland will contribute to improvements in the taxation systems of developing countries”. In addition, in the programme it is declared that “Companies that receive development cooperation funds will be obligated to meet tax responsibility and transparency criteria, promote human rights and advance Finland’s development policy goals”. Potential problems related to the AP’s inability to address the non-technical issues pertaining to taxation are discussed in Box 9 presenting a case from Tanzania.

Box 9 Tax collection in Tanzania

As discussed in the Thematic Annex Taxation and Country Case Study Tanzania, respectively, while the revenue collection effectiveness of the Tanzanian Revenue Authority (TRA) is low and their targets high, the state of the Tanzanian business environment, particularly for aspects relating to taxation, raises concerns. The TRA, supported by Finland and a number of other donors, carries out the tax collection, and its systems and processes definitively need improvement, but in most cases the root causes of these phenomenon are political, not technical, and it is difficult to find out how the Finnish cooperation in practice has addressed this level of problems. At worst, strengthening tax collection systems in countries like Tanzania may reinforce existing inequalities and support the government in gearing up extraction from taxpayers, without delivering expected services and investments. As it currently is, the 2020 Action Plan does not appear to recognise this problem and, thus, while perhaps some action could be taken through other means (dialogue, use of other instruments and programming) remedies assigned are limited.



In the field of *WEE*, there is no policy decision on whether women’s access to decent work is addressed, through the Economic development, jobs and livelihoods-portfolio, by focusing on improving access to decent work in the informal sector (including addressing unpaid care and domestic work) or on increasing employment opportunities in the formal sector (formalisation of the economy). While it does not have to be an either/or issue and both strategies may well be applied simultaneously, it would help to make informed decisions about future direction of resources was there a policy decision – a strategy – to guide the division of the support between the different domains, both requiring a bit different types of approaches and interventions.

There is no policy decision on whether women’s access to decent work is addressed by focusing on improving access to decent work in the informal sector or on increasing employment opportunities in the formal sector.

4.2 Peer learning and international trends

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

Summary answer to the Evaluation Question. The main lesson for Finland from the global and Nordic experiences reviewed is that to boost economic development and private sector engagement requires a comprehensive approach composed of several interdependent elements. First, Finland would have to clarify the main objective of the policy Priority Area; especially, to what extent the interventions are expected to achieve concrete and measurable poverty reduction results. This prioritisation would need to include clarifying the role of domestic companies versus private sector development in the partner countries. Other pieces of the puzzle comprise defining priority geographical areas (notably, fragile vs non-fragile areas), sectors (such as agriculture or renewable energy), cross-cutting objectives (such as gender equality, youth, conflict-sensitivity, or climate change), implementation approaches (such as Aid for Trade, Market Systems Development or Value Chain Approach), modalities (PSIs, multilateral cooperation or other), and how the work should be managed within the MFA’s organisation (such as aiming at building capacity across the organisation or focusing on specific teams). Finally, a relevant monitoring, evaluation, learning, and communication strategy would ensure that results are measured, documented and used by key stakeholders. Learnings from Finland’s current partnerships indicate that, with less bilateral programming, Finland reduces the possibilities to base strong in-country partnerships on a significant presence in a sector and geographic location. While partnering with/as a part of donors to multilateral organisations may limit Finland’s control and national interests, it might provide new development opportunities to explore.

To boost economic development and private sector engagement requires a comprehensive approach composed of several interdependent elements.

4.2.1 Lessons to learn from the Nordic peers and the global trends

The desk review of the selected Nordic peers and global trends highlights some of the critical components of economic development and private sector engagement that emerge from global literature and the rapid assessment of Denmark’s, Norway’s, and Sweden’s profiles (see Annex 7). It is beyond the scope of the evaluation to provide a fully-fledged inventory of global trends or other donors’ policies and approaches in this field. However, the review has attempted to build an overall picture of current issues that are frequently discussed in global analyses and other reports to allow situating the Nordic donors’ policies and strategies in that context. The Best Practices and Peer Review serves as a check list for Finland for items to bear in mind in developing the economic development and private sector engagement work further.



Sub-EQ 2.1. From **the Nordic peer** organisations, what lessons can be drawn from differences in approaches which could contribute to more relevant and effective Finnish support for economic development and job-creation especially for women, youth and the poor, including the use of the private sector instruments?

Sub-EQ 2.2. What can Finland learn from **international best practices** in creating jobs for women and youth, women economic empowerment, and transition to new forms of cooperation?

Finding 15. While Finland does not have a policy nor a strategy on economic development and private sector engagement, developing one should be based on a coherent and comprehensive framework of interdependent elements. (Based on Best Practices and Peer Review (BPP))

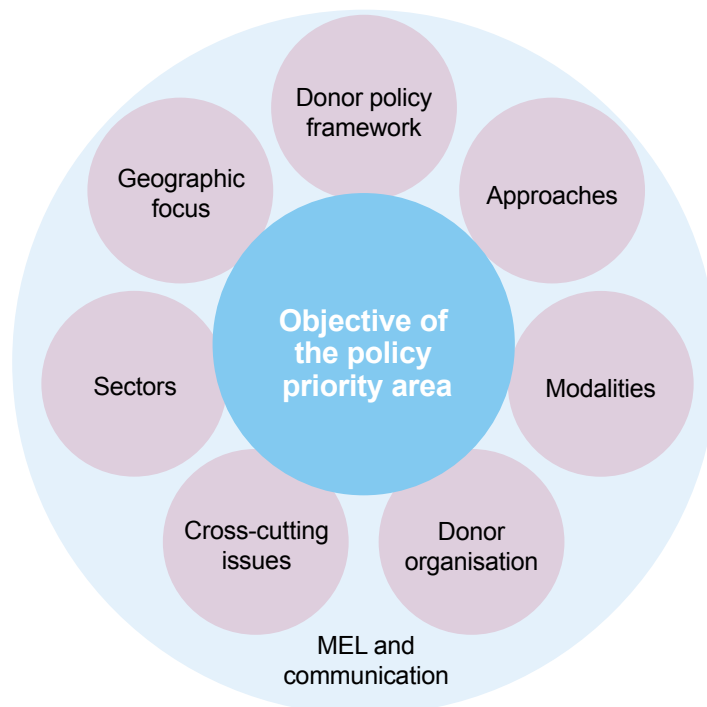
All selected Nordics, apart from Sweden, have stated economic growth and/or private sector engagement among the highest level policy goals (see Annex 7). When it comes to a specific policy or strategy on this topic and that is “subordinate” to the global framework, Finland is the only one of the four donors who has never published such a document. As concluded from EQ1, Finland’s support to Economic development lacks coherence, which is what a specific policy or strategy could serve to add.

In line with the current state of the art, nine areas must be defined and streamlined together for the strategy to deliver on its objectives effectively. These nine main elements encompass the Objective of the policy Priority Area, the Donor policy framework, Geographic focus, Sectors, Cross-cutting issues, Approaches, Modalities, the way the topic is managed within the Donor organisation, as well as Monitoring, evaluation, learning and communication considerations (see Figure 6). The following sections describe the lessons systematically for each of these elements.

Finland’s support to Economic development lacks coherence, which is what a specific policy or strategy could serve to add.

Nine areas must be defined and streamlined together for the strategy to deliver on its objectives effectively.

Figure 6 Elements that build a comprehensive approach to economic development and private sector engagement in a donor agency



Source: Own diagram



Finding 16. Starting point for the development of a policy framework is clarity on the objectives. In particular, expectations regarding concrete and measurable poverty reduction results and the role of private sector actors, namely domestic companies, require definition. (Based on BPP Review)

Globally, there is a clear trend that private sector engagement strategies, especially for private sector development, are widely adopted by donors. “Economic growth” is typically one of the five pillars of overarching development policies. The rationale is as follows:” *Those in poverty are looking for economic opportunities and those opportunities will mostly be generated by a growing private sector. Therefore, donors encourage private sector development, so that the poor can help themselves through market participation as employees or entrepreneurs*” (DCED, 2018b). Further, there is a trend that engagement strategies and instruments are being tailored to respond more to the needs of the private sector actors (Heinrich-Fernandes, 2017; OECD, 2016b). In this process, the risk is to lose focus from the primary purpose of development cooperation, a situation that occurred in Sida some years ago (see Annex 7). The creation of PSIs should be a means to an end, not vice versa.

Those in poverty are looking for economic opportunities and those opportunities will mostly be generated by a growing private sector.

Box 10 presents three main objectives for private sector cooperation in donor policies.

Box 10 Three main objectives for cooperation in donor policies

Three main objectives for the cooperation typically feature in donor policies: (1) leveraging private sector funds and capacities toward development-oriented investments, (2) promoting collaboration between domestic and partner country private sector actors, and (3) promoting private sector development in partner countries (OECD, 2016b). For an in-depth discussion on the benefits, weaknesses and risks of these different entry points, see AfDB’s Independent Development Evaluation Department’s Evaluation of Private Sector Development Assistance: Trends, Challenges, and Opportunities (AfDB, 2016).

In each of the Nordic countries reviewed, including Finland, the question of domestic interests is becoming more prominent. Whether the companies based in the donor country should benefit from the economic development activities in partner countries or not, is a crucial matter to discuss within a broader stakeholder community given the potential for conflicting expectations. At present, Denmark is the most outspoken of its peer Nordics on this question. The topic is also relevant for the design of PSIs; i.e. whether the financing criteria are tied or untied to specific countries, i.e. the donor country (such as in Norway, see Annex 7).

For a summary of the Nordic donors’ development policies on economic development and PSE, see Figure 7.

Whether the companies based in the donor country should benefit from the economic development activities in partner countries or not, is a crucial matter to discuss within a broader stakeholder community.



Figure 7 Summary of the selected Nordic donors' development policies on economic development and PSE



ECONOMIC DEVELOPMENT/PSE FEATURED IN THE OVERALL DEVELOPMENT POLICY

Finland: Yes, Priority Area 2 of main Development Policy

Denmark: Yes, Priority Area 3 in "The World 2030"

Norway: Yes, Priority Area 3 in "Common Responsibility for Common Future"

Sweden: No, as a Thematic Direction/a cross-cutting approach

SPECIFIC STRATEGY FOR ECONOMIC DEVELOPMENT/PSE

Finland: No

Denmark: Last one dates back to 2011-15

Norway: 2014 strategy still relevant ("Working together")

Sweden: The first strategy launched for 2018-2022



ROLE OF DOMESTIC COMPANIES

Finland: Tied and untied PSIs; however, dialogue in early stages

Denmark: Policies openly promote Danish interests

Norway: Untied PSIs; raising expectations from Norwegian companies, dialogue increasing

Sweden: A host of PSIs, but dialogue on domestic interest in early stages

Donors need to establish better linkages between private sector development interventions and poverty reduction.

The issue of transition from development cooperation to commercial relations' emphasis is also closely related to private sector engagement strategies.

Source: Developed based on a desk review and interviews carried out by the evaluation team.

A meta-evaluation commissioned by AfDB and Norad concludes that donors need to establish better linkages between private sector development interventions and poverty reduction and that focus on vulnerable populations needs to be intentional. The report also mentions that economic growth does not automatically lead to more and better jobs, including increased income for those in need. To address this challenge, the Making Markets Work for the Poor, or the Market Systems Approaches, as well as Inclusive Business models, are popular among donors (Centennial Group, 2016).

The issue of transition from development cooperation to commercial relations' emphasis is also closely related to private sector engagement strategies. The topic can be approached from several angles such as from the perspective of transitioning from more traditional development aid to strategic private sector engagement (Heinrich-Fernandes, 2017), from bilateral cooperation to trade relations (Danida, 2015), or from the perspective of totally rethinking the global development paradigm (OECD, 2017a, 2018).



Finding 17. In developing an economic development and private sector engagement policy, the choice of geographic focus, globally and within the partner countries, is a critical element. For the MFA Finland, critical decisions include the position on fragile vs non-fragile contexts, Least Developed Countries (LDC) vs Middle-Income Countries, long-term partner countries vs other countries, and rural vs urban contexts. (Based on BPP Review)

Approximately half of OECD member states' policies discuss the importance of promoting economic activities in fragile and conflict-affected environments. Some also refer to middle-income countries, acknowledging that, within these "wealthier" countries, extensive marginalised populations require support (DCED, 2017a). On the other hand, urban poverty is gaining attention from donors. In the future, it is expected that this trend will increase, given the opportunities provided by the manufacturing and service sectors in cities (DCED, 2017a; OECD & WTO, 2019).

According to interviews of the selected Nordic peers, demand on behalf of donors is high for learning about fragile and urban contexts, but lessons are few so far. Finland and the other three countries are only in the early stages of testing approaches to either mitigate or to prevent conflict in unstable societies (see Annex 7).

Demand on behalf of donors is high for learning about fragile and urban contexts, but lessons are few so far.

Finding 18. In developing the policy framework, Finland is faced with complex, continually evolving, and interrelated challenges concerning choice of sectors and considerations of cross-cutting themes. Policy decisions require adopting a long-term vision, often in the absence of prior information on what works. (Based on BPP Review)

The discussion on the role of development cooperation in humanitarian aid, migration, refugees and forced displacement is closely linked to the question of geographic priorities – and the topic is gaining importance. DCED points out that donors are increasingly concerned about international migration and that the focus on development cooperation should shift to unstable regions. As mentioned above, many questions remain open on what works in these contexts (DCED, 2018b)

Donors are increasingly concerned about international migration and that the focus on development cooperation should shift to unstable regions.

In terms of sectors, much of donor work in economic development has focused, until now, on agricultural development in rural areas (DCED, 2017a; OECD & WTO, 2019). Denmark and Norway seem to have the most apparent focus in terms of priority sectors (agriculture and renewable energy, respectively). Finland and Sweden have not prioritised any specific sectors in this area of aid (see Annex 7).

A third of DCED donor agencies mentions youth as an essential target group in economic development. The Committee underlines that a linear approach from training to formal employment might not function well as expected. The reason is that young people typically adopt several coping strategies in parallel, which leads to complex situations of both challenges and opportunities (DCED, 2017a). OECD & WTO (2019) point out that a twin problem exists in terms of youth unemployment and SME competitiveness and that these should be solved together.

WEE is prominent in donor policies, and agencies widely agree that WEE is one of the key drivers of sustainable development (Mariotti & Shepherd, 2015). OECD & WTO (2019) remind that short-term donor programmes are likely to suffer from a lack of sustainability. Promoting gender-sensitive investments could be a better solution. Overall, WEE still needs more attention, especially in sectors such as transport, energy, banking and financial services, as well as mining and industry.

Box 11 discussed initiatives – the Global Deal, ILO's Decent Work agenda and the UN Global Compact – that provide resources to approach reduction of inequality in economic development and collaboration with private sector.



Box 11 The Global Deal Initiative

Inequalities in the context of economic development and private sector engagement is often associated with the Global Deal launched by Sweden in 2016. The initiative has been jointly developed by ILO and OECD to function as a multi-stakeholder partnership to address high and rising inequalities in opportunities and outcomes and to encourage trust in the ability of governments and institutions to make economic growth work for all (ILO & OECD, 2018). The initiative's website includes a bank of good practices on inclusive business practices. Similarly, ILO's Decent Work agenda and the UN Global Compact with business are frequently referenced frameworks for the promotion of socially sustainable businesses (DCED, 2017a).

Only 22% of climate-related development finance supported PSE activities in 2013.

Virtually all donors mention climate change adaptation and mitigation in their private-sector policies, according to DCED (2017a). On the other hand, only 22% of climate-related development finance supported PSE activities in 2013, which means that there is an opportunity to strengthen the mechanisms on how private sector engagement can support climate objectives (OECD, 2017b).

Technological innovations are high on the agenda of a third of DCED donors, but there is still room for more concrete applications to be adopted. Current solutions include, for example, e-commerce, information and communication technologies, and/or peer-to-peer finance (DCED, 2017a).

Finding 19. In developing the policy framework, Finland should state clear preferences in terms of its approach to economic development and private sector engagement given the important policy implications of different methods. *(Based on BPP Review)*

Making Markets Work for the Poor is a popular approach among donors.

Making Markets Work for the Poor, or Market Systems Development (MSD) approaches, is a popular approach among donors (DCED, 2017a). At the same time, the Value Chain Approach (VCA) seems to receive some degree of caution (Mariotti & Shepherd, 2015). In Danida and Sida, the MSD has been institutionalised while, at least in Finland, there are few references to the approach. According to MFA's Evaluation of Agriculture, Rural Development and Forestry in Africa, the VCA has been implemented in

Finland's development cooperation relatively widely (Topper et al., 2019).

Aid for Trade is an approach that dates back to 2006, and it continues to grow globally (OECD & WTO, 2019). According to Sida referenced by OECD (2018), one dollar invested in Aid for Trade generated twenty additional dollars of exports for the poorest countries, indicating high support for the mechanism.

All Nordic donors include trade priorities in their development policies, but only Denmark and Norway have published a specific Aid for Trade strategy. In terms of priorities within Aid for Trade, Norway and Sweden focus on international competitiveness and trade facilitation. For Finland and Denmark, the priorities focus on value chains and export diversification. In addition, Finland lists MSMEs, WVE and youth issues as a priority (OECD, 2019a). In general, the MFA Finland appears committed to the Aid for Trade agenda. The topic was evaluated in 2016 (van Gerwen et al., 2016) and it was followed by a commitment to the implementation of the evaluation's recommendations (as indicated in internal management response and other memoranda).



Finding 20. When establishing new PSIs or other modalities to operationalise any future economic development and private sector engagement strategy, MFA should ensure mutual complementarity between the current and new instruments and modalities. The MFA should also define well the rationale behind partnership configurations and understand the evolving context of risk management related to new types of partnerships. (Based on BPP Review)

The global trend is that donors are continually launching new PSIs, especially centrally managed funds, even if new types of facilities and funds require a certain testing period, and they are not free from challenges (DCED, 2017a; Heinrich-Fernandes, 2017). For Sida's approach to PSIs, see Box 12.

Box 12 Sida and PSIs

In the case of Sweden, the donor adopted a cross-cutting approach whereby development objectives drive actions, and private sector engagement takes place only (and always) when the private sector partner is best placed to deliver the result. Also, one of the significant policy shifts occurred in 2014 when the government of Sweden started steering its global development strategy more towards employment as a comprehensive objective in the context of poverty reduction rather than as a mere results indicator. Soon after, Sida saw the emergence of several new PSIs, which led to a situation where the instruments started receiving increased attention while diverting attention from the actual objective (i.e. decent employment). In the past few years, the organisation has begun to gain a better balance between the two in line with the original idea (see Annex 7).

Similarly, partnership configurations are becoming more sophisticated in today's development cooperation. The tendency is to move away from contractual assignments or co-funding of social responsibility projects to more equal business collaborations. There is also a desire to prolong the time window of the partnerships (Heinrich-Fernandes, 2017).

As PSIs and partnerships evolve, the need to understand risk management and due diligence also increase. An essential approach to avoiding setbacks is to build partnerships with trusted and like-minded entities based on long-term relationships (Heinrich-Fernandes, 2017). Likewise, it is critical to understand that different financing tools can potentially cause harmful effects such as market distortions or issues with safeguards if not carefully planned and managed (GPEDC, 2019).

A common tendency among the Nordic donors has been to launch relatively many new PSIs. Among the Nordics, Sweden and Denmark are those with the widest variety of PSIs. Norway offers fewer PSI options compared to the three other countries (see Annex 7). Finland can be situated between the two tendencies. In this context, there is a discrepancy between the Nordic donors with regards to their position on whether private companies can receive direct funding or not. Sweden is the only one that does not provide direct finance to companies (except for Swedfund). However, in some cases (like the Public-Private Development Partnerships) Sida may channel funding through an NGO, UN Agency or other to a project partially implemented by a company (see Figure 8).

Partnership configurations are becoming more sophisticated in today's development cooperation.

As PSIs and partnerships evolve, the need to understand risk management and due diligence also increase.

A common tendency among the Nordic donors has been to launch relatively many new PSIs.



Figure 8 Overview of the main changes in the selected Nordic donors' partnership configurations in the past years



PARTNERSHIP CONFIGURATIONS

Finland: Finances both companies and some partnerships

Denmark: Policy shift from public to private partners

Norway: Finances both companies and partnerships

Sweden: Does not finance private companies directly (except Swedfund)

Source: Developed based on a desk review and interviews carried out by the evaluation team.

Finding 21. In implementing a policy or strategy for economic development and private sector engagement, The MFA Finland should organise its teams in such a way that the structure serves the objectives of the policy. *(Based on BPP Review)*

New trends in the sector put pressure also on reconsidering how donor agencies are organised internally.

New trends in the sector put pressure also on reconsidering how donor agencies are organised internally. Options include creating new units or cross-functional teams or coordination structures, depending on the case. In other situations, new recruitments, guidelines or capacity building might be required (DCED, 2018a). Also, the meta-evaluation by AfDB and Norad calls for better institutional capacities to effectively deliver private sector development interventions (Centennial Group, 2016).

Finding 22. In Finnish support to Economic Development, Job Creation and Livelihood, the challenges related to Monitoring, Evaluation and Learning (MEL) are similar to those in any development context, e.g. in terms of assessment of outcomes and impact, availability of baseline data, and attribution issues. Specific characteristics include the choice of indicators; for example, the measurement of job creation vs monitoring changes in income. *(Based on BPP Review)*

Overall trend points to weaknesses in the M&E systems in the field of economic development and private sector engagement.

There is ample literature on Monitoring and Evaluation (M&E) in the field of economic development and private sector engagement; overall trend points to weaknesses in the systems. For example, a meta-evaluation of 33 reports commissioned by the Independent Development Evaluation Department (IDEV) of the African Development Bank (AfDB) and Norad (Centennial Group, 2016) found the following common weaknesses 1) a difficulty in assessing the impact of programs which try to influence and change private sector behaviours; 2) a focus on outputs rather than outcomes; 3) a lack of baseline data, and 4) challenges with attributing outcomes to donor support.

Issues related, especially, to measurement challenges and adequate indicators on job creation. Instead of measuring the number of jobs created, DCED proposes monitoring changes in income (DCED, 2017a). For an in-depth discussion on measuring job creation in private sector development, see reports by DCED (2017b), Fowler & Markel (2014), and Tanburn (2014).

Another study by Kindornay et al. (2013) that looked at several donors' approaches to engaging the private sector found similar challenges. The report highlights that "donor policies typically include neither an approach to measure robust and comprehensive results in the context of complex development outcomes nor a commitment to publicly accessible monitoring of results for programming on growth and the private sector". OECD and DCED have also published exten-



sive analyses on this topic. The meta-evaluation by AfDB and Norad concluded similarly that the design of private sector development interventions is of critical importance (Centennial Group, 2016).

It was beyond the scope of the evaluation to assess the specific strengths and weaknesses of the Nordic donors' M&E frameworks related to economic development and private sector engagement. It should be mentioned, however, that the recent Evaluation of Finnfund found that the Finnish Development Finance Institutions (DFI) has paid efforts in terms of strengthening development impact indicators in the land-use sector, especially in forestry. In general, Finnfund has invested in developing its impact measurement frameworks in coordination with other DFIs through the European Development Finance Institutions Association (EDFI) (Spratt et al., 2018).

Related to M&E, the importance of communicating on development impacts is increasing globally (DCED, 2018b).

Finnfund has paid efforts in terms of strengthening development impact indicators in the land-use sector, especially in forestry.

4.2.2 Complementarity and added value of partnerships

Sub-EQ2.3 *Have partnerships been built between Finland's economic development interventions and those of other donors and stakeholders? Have the Finnish approaches and interventions, including pooled funding and core-type of funding, been complementary, coordinated stakeholders' and donors' efforts and adding value?*

Evidence provided on this sub-evaluation question is based on the Country Case Studies of Kenya, Tanzania and Zambia, the PSI Study and the Thematic Annexes of Energy; Innovation; Taxation, and WEE (see Volume 2 of this Report for the full Country Case Studies and PSI Study, and Annex 8 of this Volume 1 for the Thematic Annexes).

Finding 23. With less bilateral programming, Finland reduces the possibility to base strong in-country partnerships on its significant presence in any sector and geographic location. Partnering with donors to multilateral organisations may on the one hand limit Finland's control and national interests, and on the other hand provide new opportunities. (Based on KEN-C9, TAN-F37, TAN-C8, ZAM-F32, ZAM-C13, PSI Study, Thematic Annexes)

As for the Case Countries of this evaluation, in Kenya, partnerships with other donors in economic development only materialised in the context of the regional programmes. In Tanzania, apart from the regional programmes, Finland has in economic development, jobs and livelihoods partnered with other donors only in the programming on taxation. Being the only development partner covering commercial forestry in Tanzania brings about unutilised opportunities, and campaigns by PSIs such as the FP or DevPlat to try and attract more Finnish private sector investment into forestry and related industries could be encouraged. In Zambia, Finland has been a leading member of the cooperating partners' coordination group in the area of PSD throughout the evaluation period. The paradigm shift in the donor landscape in Zambia has, however, reduced the importance of donor coordination. Overall, in Zambia, Finland has partnered with the most relevant actors and organisations in its interventions. In a transition from development cooperation to commercial relations' emphasis context, Finland has, however, developed also its own programmes even where the objectives are quite similar with existing programmes. The AGS programme is likely to result in some overlap with other programmes but was necessary for the MFA to incorporate the objective of linking it to the Finnish private sector.

Being the only development partner covering commercial forestry in Tanzania brings about unutilised opportunities.



In the field of energy there are challenges of creating partnerships with especially Finnish private companies.

In the field of *energy*, like in many other sectors, there are challenges of creating partnerships with especially Finnish private companies (for details, see Box 13). The IFB-FC is a partnership between Finland and the IFC, through which Finland has been able to leverage significant amounts of financial and technical resources for climate projects, including in the energy sector. The challenge of partnerships like the IFB-FC and of channelling funds through multilateral organisations is that policies and guidelines do not necessarily match with those of the Finnish development policy. An example is the eligibility of large hydro power plants for financing. In the discussions on Finnish development policy lots of criticism has been presented against such plants, mainly due their potential environmental and social risks, and for example the Government Development Policy Programme of 2012 prohibited the use of Finnish ODA for financing them. The multilateral organisations through which Finland channels funds, however, do normally not have similarly strict stance, and they have large hydro projects in their portfolios. The same applies to some fossil fuels, e.g. natural gas.

Box 13 Challenges of creating partnerships in the field of energy

Challenges of creating partnerships with Finnish private companies in energy relate to 1) Inexperience of companies in operating in developing markets, and subsequent lack of information and understanding of the markets. There are very few Finnish companies able to successfully compete for projects funded by multilateral organisations, or to build the project pipeline in developing markets by themselves. 2) High level of sophistication of Finnish product and technologies. There would be opportunities in e.g. grid surveillance, maintenance and balancing of grid following the increase of renewable energy production, but so far Finnish companies have not been very successful in providing their solutions. 3) High price. The quality-price relation accepted and pursued in for example solar panel solutions in many developing markets differs from what Finnish companies are able and willing to offer.

Yet, the EEP operational model has allowed it to build partnerships with companies (including start-ups), non-profit organisations and social enterprises not just from Finland, but from partner countries, too. The EEP itself brought together the governments and their financial resources from three countries (Finland, Austria and the UK).

In the field of *innovation*, Finland is a desired partner and could make more pro-active efforts to make itself yet better known and available. Case in point, Finland, thus far, seems to not to have played a role in the EU's programming on digital cooperation in Africa. EU's flagship programmes (in digital cooperation) are in October 2020 with the Member States for comments. Becoming a part of them, in the future, there might be opportunities for Finnish business interest in them too. All innovation programming supported by Finland is based on partnerships. The bilateral programmes, SAIS and the UN and IFI innovation funds, labs and programmes partner with start-ups, hubs, academic and public sector entities, NGOs and overall innovation eco-systems. In the UN innovation work there is also partnering with other donors.

All innovation programming supported by Finland is based on partnerships.

In the field of *taxation*, since 2016 the MFA has created several new, valuable partnerships, or has strengthened existing ones. The cooperation for example with VERO (through Institutional Cooperation Instrument (ICI)); with TRA (through bilateral and bi-cofinancing funding); with Extractive Industries Transparency Initiative International (EITI), African Tax Administration Forum (ATAF) and Publish What You Pay (PWYP) have all supplemented Finnish capacities and resources in strengthening DRM in partner countries. On the other hand, in taxation, one could



assume that for example FLC would have been used to empower CSOs, researchers, women's rights groups or journalists to put pressure on governments on the equitability of taxation and translation of tax revenues into public benefits. Particularly so in light of what has been said in the Thematic Annex Taxation on e.g. tax incidence and equity issues, and the importance of political decision making for tax administrations' operations and for how citizens and businesses experience them, the question arises whether the right and most adequate partners have been chosen.

Noted assessing WEE, in addition to partnering with the developing country counterparts, Finnish NGOs have also started to partner with the private sector companies and while the results are still limited, they are encouraging. Box 14 discusses partnerships between Finnish NGOs and private sector companies.

Finnish NGOs have started to partner with the private sector companies.

Box 14 Partnerships between Finnish NGOs and private sector companies

The two examples provided on the NGO-private sector collaboration with KEO-30 and Finnpartnership support, operate in domains enabling gender equality and overall empowerment of women. First, Lune Group Oy/Ltd (brand name "Lunette") and Fida International's Menstrual Health -project (2017–2019) provided a product and enabling environments for sustainable menstrual health management in Eastern Africa. Second, Logonet Oy/ltd, a textile company, has long been a supplier of products for Finnish Baby Aid Kits. Together with World Vision Finland, the company started to develop similar kits suitable for the refugee camps in the Turkana region in northern Kenya. The maternity pack was designed to increase access and utilisation of maternal and newborn services, and therefore to decrease maternal and infant mortality in the project area. The Thematic Annex WEE provides a brief assessment of these two relatively successful cases.

Regarding to the PSIs, Finnfund participates in the G7 countries' DFI's 2X Financing for Women initiative to support female entrepreneurship. Finnfund has a commitment to invest 50% of the €210 million loan given by the MFA in 2019 in women's empowerment.

4.3 Future improved effectiveness and Results-Based Management

The third Evaluation Question is fully forward-looking and Section 6 "Recommendations" addresses it to a large extent based on the findings of EQ1 and EQ2. Against the EQ3 sub-evaluation questions, this section presents some evidence additional to what has been presented against EQ1 and EQ2.

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

Summary answer to the Evaluation Question. Making the Economic development, jobs and livelihoods–portfolio more coherent and effective entails resolving some major questions on approaches: setting a clear objective for developing and implementing an Economic development and private sector engagement strategy, addressing issues that limit the uptake of Finland's commercial and foreign policy interests and targeting resources, partnering and innovating in



line with the guidance provided by the proposed new policy and its practical, actionable road map for implementation.

Therefore, the MFA would need to resolve fundamental questions that limit coherence and effectiveness in the context of its economic development portfolio, including the polarity of opinions in commercial interests, the question of whether addressing poverty should be an immediate or mid-term objective, responses to COVID-19 and other immediate, severe threats and finally the question of how to approach WEE. Finland's tendency to channel aid through the multilateral agencies – much more so than the selected Nordic peers – may limit the MFA's say over the approaches, instruments and interventions. Finally, MFA's managing for results is not at an optimal level in the economic development portfolio and shortcomings relate to the weak use of RBM and weaknesses in decision-making processes. There are also shortcomings pertaining to staff strength and resourcing, lack of provision of leadership in a form of appropriate policies, strategies and action plans and problematic formulations of parts of the results framework.

4.3.1 Increasing relevance, coherence and effectiveness

Sub-EQ 3.1. Can Finland's support for economic development and job-creation in Africa be made more relevant, coherent, and effective, including for HRBA and cross-cutting results?

Evidence provided on this sub-evaluation question is based on the PSI Study and the Thematic Annexes of Energy; Innovation; Taxation, and WEE (see Volume 2 of this Report for the PSI Study, and Annex 8 of this Volume 1 for the Thematic Annexes).

Finding 24. Coherence and effectiveness of Finland's economic development, jobs and livelihoods portfolio appear to be curbed, in particular, by fundamental questions related to the approaches in addressing the objectives of the portfolio being unresolved. (Based on PSI Study and Thematic Annexes)

Behind the lack of a coherent and comprehensive strategy on economic development, jobs and livelihoods, there seems to be some rather big questions which the MFA has not resolved and this is limiting the relevance and particularly the coherence and effectiveness of the portfolio and its management. These questions include the polarity of opinions in commercial interests; the question of whether the focus of addressing poverty should be on the immediate or on the medium-term outcomes, response to COVID-19 and other immediate, severe threats, and approach to WEE.

There is still polarity in the debate on private sector versus development funding.

Polarity of opinions in commercial interests. Inside the MFA, there is still polarity in the debate on private sector versus development funding. The MFA's chosen approach and policy on this topic is not clear and would require conscious compromises and explicit recognition of the different visions and opinions as well as acknowledging that a policy has to balance between differing goals of stakeholders. The polarised debate culminates in the discussion about the role of Finnish private sector companies and instruments that support and/or finance them. Particular topics for debate are e.g. whether or not it is acceptable to support potentially profitable activities with development funding, whether prioritising the activities of Finnish companies over others (including developing country firms) is justified (in the case of those few PSI that do so), and to what extent conditions can be attached to this funding.

Particular topics for debate are e.g. whether or not it is acceptable to support potentially profitable activities with development funding, whether prioritising the activities of Finnish companies over others (including developing country firms) is justified (in the case of those few PSI that do so), and to what extent conditions can be attached to this funding.

Poverty time dimension focus – should the focus of addressing poverty be on the immediate or on the medium-term outcomes. In the Economic development, jobs and livelihoods-portfolio, there is no clarity on the time dimension and, thus, policy focus in relation to the Leave No One Behind-principle, poverty/vulnerability and economic inequality. Should the focus of Finnish development cooperation in relation to PA2 be on assistance most relevant to the poor



in the current situation, which, at least for LDCs in Africa means addressing issues in smallholder agriculture and the informal sector due to their paramount direct importance as sources of livelihood for the poor? Or should the focus be on the transition of national economies towards industrialisation, a post-industrial service economy or a post fourth industrial revolution economy through predominantly the means of new technologies, innovations, higher education? The latter assumes that modern economic activities have the greatest potential to drive economic growth and productivity, leading to benefits to the poor through their absorption into modern sector jobs over time in addition to generating resources for government that can be invested in basic services, such as health care, infrastructure, social safety nets etc.

There is no clarity on the time dimension and, thus, policy focus in relation to the Leave No One Behind-principle.

Response to COVID-19 and any other similar immediate, severe threats. Somewhat linked to the question on poverty time dimension focus, what role the Economic development, jobs and livelihoods-portfolio should play in the response to the COVID-19 and any future pandemics or other multi-dimensional global crisis? Should the focus be on the immediate response to issues related to people's subsistence income, and/or on the from short to longer term responses related to contributing to building economic resilience overall and perhaps more at the level of the states and industries/sectors than households and communities?

Should the focus be on the immediate response to issues related to people's subsistence income or on contributing to building economic resilience overall?

Approach to WEE. There is no policy decision on whether women's access to decent work should be addressed through the Economic Development, Jobs and Livelihoods-portfolio by focusing mainly on improving access to decent work in the informal sector (including addressing issues pertaining to unpaid care and domestic work), or on increasing employment opportunities in the formal sector / formalisation of the economy. The lack of systematically conducting appropriate gender analysis hampers any decision on whether to focus on formal or informal sector (or both).

4.3.2 Future improved taking into account of Finland's comparative advantages and national interests

Sub-EQ 3.2. *Can Finland's support for economic development and job creation better take into account Finland's comparative advantages and national interests in its policy, country programmes, approaches and interventions?*

Evidence provided on this sub-evaluation question is based on the PSI Study and the Thematic Annexes of Energy; Innovation; Taxation, and WEE (see Volume 2 of this Report for the PSI Study, and Annex 8 of this Volume 1 for the Thematic Annexes).

Finding 25. Finland's national interest – manifested in forms of commercial, adding mutual value, and foreign policy goal interests – is only modestly present in the economic development, job creation and livelihoods portfolio, and the factors hindering it, related to strategising and resourcing. *(Based on PSI Study and Thematic Annexes)*

In the field of *energy and applicable to other sectors of private sector and PSIs interest*, likely hampering Finland's national interest, there are at the moment no resources and capacities in the MFA and embassies to give tangible help to private sector projects, the PSIs supporting or financing such projects, and other stakeholders active in the sector. Energy sector's emphasis on multi-organisations provides leverage of funding but brings with it some loss of control, and it may be linked to the limited capacity made available to and through the embassies. The advice and services the MFA and embassies can provide are of very generic nature, consisting mostly of general kind of market information and arranging of events and meetings. Deeper knowledge and

There are at the moment no resources and capacities in the MFA and embassies to give tangible help to private sector projects.



expertise in the sector and familiarity with local circumstances are often missing. Likewise, the mandates, guidelines and resources given to PSIs do not adequately match the needs of businesses and other applicants for support. The situation has led to a contradiction between policies and expectations regarding for example transition from development cooperation to commercial relations' emphasis, private sector cooperation and investments on the one hand, and the availability of resource and capacity or the MFA answer to those expectations on the other. In energy, so far few Finnish companies and other stakeholders have benefitted from few projects, and they have participated in few partnerships under the cooperation / funding arrangements between the MFA and multinational organisations.

The large and complex bilateral innovation programmes are being shied away from.

In innovation, the long-term bilateral programmes have the potential to level the playing field and build the capacities of the local companies so that Finnish companies can actually find partners and build non-aid commercial relations with the countries. Yet, the large and complex bilateral innovation programmes are being shied away from, and opportunities thus may be missed in providing potential points of connection between the bilateral programming and the PSIs/Team Finland efforts/Finnish businesses overall. Finland's support to innovation through the UN, discussed in Box 15, in terms of the Finland's national interest serving more the foreign policy than commercial interest goals, is largely based on the country's comparative advantages as high achiever in innovation, and likely also as the MFA has learned from the bilateral innovation programmes.

Box 15 Finland's support to innovation through the UN

Currently, Finland's support to innovation and development through the UN may more serve the foreign policy than commercial interest of the country.

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

While eventually the UN Pulse Lab Finland's new direction might also open doors to more Finnish start-ups and companies to be part and create win-win outcomes of SDGs and commercial viability, for the Lab to get from the current status of defining the fundamental values and best practices to facilitating profitable business ventures in support of SDGs seems like a long way to go. While this Evaluation agrees with the Lab's view that Finland does have got much more to offer than what may have been on the table with the earlier four themes, going back to the acknowledged initial motivation to welcome and finance the then UNTIL Lab, i.e. the potential assistance it would offer to Finnish start-ups to get to the developing country markets, it must be stated that what happens with this change in the direction of the Lab to the Finnish national interest indeed remains to be seen. The MFA has been most supportive in the change, and the Lab has a lot of good collaboration with the MFA and also with the Finnish NGOs, notably Fingo. With the new direction of the Lab, this can be foreseen to continue, expand and deepen. Similarly, the new direction is likely to be supportive of Finland's overall Foreign Policy objectives and perhaps there could be synergies between the work of the UN Pulse Lab and Finland's support to the UN Secretary-General's High-level Panel on Digital Cooperation's Follow-up Process.

In the implementation of the UN Secretary General's Roadmap on Digital Cooperation Finland is involved in three coalitions: Artificial Intelligence cooperation, Digital Public Goods and Digital Inclusion and Data; this contribution is rather Foreign Policy motivated than aiming at immediate concrete developmental outcomes. Finland's



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

The evaluation's assessment of the portfolio of *WEE* revealed some cases of opening of space and opportunities within the multilateral agencies' programming for partnering with bilateral interventions and with the donor's private sector companies. Based on a partnership between United Nations Industrial Development Organisation (UNIDO) and Food and Agriculture Organisation (FAO) and partnering with a number of stakeholders in South Africa and the region as well as beyond, UNIDO's "Revitalisation of Forest Training Centres in the SADC Region for Green Employment" –project (2015–2020), acknowledged by UNIDO as a project with strong gender-focus, has also partnered with two Finnish companies. Kara has provided the project with a mobile one-blade circular sawmill, and Aika Group has developed training modules for the use of the project on, for example, wood drying. While this is small scale, it's an indication of some opportunities gradually opening up to the (Finnish) companies too, which directly link to specific programming.

There is opening of space and opportunities within the multilateral agencies' programming for partnering with bilateral interventions and with the donor's private sector companies.

One of the EIF's "Empower Women, Power Trade" initiative's intervention, "Regional support program for inclusive commercial development of the shea sector", aims at impacting the trade agendas in Benin, Burkina Faso, Mali and Togo to better facilitate trade in shea kernels and value-added shea products, and at reduced constraints to inclusive regional and global shea trade by the LDCs. Making the case of Burkina Faso interesting, the EIF and one of its bilateral donors, Luxemburg, are co-financing the interventions in the country and overall, collaborating on the ground on shea butter. Again, while this is just an individual case, concerning another donor, once more information becomes available on the case, it may be interesting to follow up to better appreciate the types of collaborative spaces and openings there may emerge with the multilateral agencies' programming.

4.3.3 Future improved responses to global challenges

Sub-EQ 3.3. *Can Finland become more relevant and effective in providing support to its partner countries to deal with global changes such as the economic consequences of COVID 19?*

Evidence provided on this sub-evaluation question is based on the Thematic Annex of Innovation (See annex 8 of this Volume 1 for the Thematic Annex Innovation).

Finding 26. **While, generally, Finland's economic development, job creation and livelihoods portfolio shows a rather limited immediate response to supporting partner countries in dealing with the economic consequences of COVID-19, the portfolio's innovation programming is an exception and could lead, in the future to addressing of global changes related to this theme.** *(Based on Innovation Annex)*

Innovation funds/labs/programming supported by Finland have been relatively fast in moving to try and provide responses to the COVID-19 pandemic. This applies to both responses aimed at making the innovation ecosystems¹² stronger and more resilient, and to responses aimed at helping societies to cope with the situation. SAIS II, as a result of the COVID-19 pandemic, opened a third and additional round of calls for proposals (August–October 2020). The theme was how can the resilience of the innovation systems be enhanced in the COVID time. Called the



Innovation funds/labs/programming supported by Finland have been relatively fast in moving to try and provide responses to the COVID-19 pandemic.

“RE: innovation challenge”, the call was open for proposals to pilot and validate solutions to make Southern African start-up ecosystems more resilient and better able to face an uncertain future. The UN Pulse Lab Finland sees that their interventions under the new direction should at least partially be about COVID-19 responses and making health systems resilient as well as bringing about socio-economic recovery.

Other parts of the portfolio assessed (in Kenya, Tanzania and Zambia, and as related to the PSIs, energy, innovation, taxation and WEE) seem not to have been as quick as innovation in reacting to mitigate the economic impact of the pandemic. In the other parts of the portfolio, the focus has rather been on the adaptation, notably by requesting more time for the implementation. In this context, data gathering in particular for the Country Case Studies and for a large part for the PSI Study, too, took place already at the end of the second and beginning of the third quarter of 2020, and more may have happened in the portfolio’s support to the mitigation of the economic consequences of COVID-19 only after that.

4.3.4 Future transitions from development cooperation to commercial relations’ emphasis for improved benefits of both countries

Sub-EQ 3.4. How could Finland’s transition from grant-based aid to commercial relationships maximise its effectiveness and benefits both to Finland and the partner country?

Evidence provided on this sub-evaluation question is based on the Thematic Annexes of Innovation; and Taxation (See Annex 8 of this Volume 1 for the Thematic Annexes Innovation; and Taxation).

Finding 27. In innovation, the Innovation Partnership Programme (IPP) developed/helped the growth of Vietnamese partners who now play a role in forming and strengthening the new ties between the two countries. *(Based on Innovation Annex)*

The IPP aimed to support Vietnam in its intention to become a knowledge society and to strengthen the National Innovation System (NIS). The evaluation of the IPP Phase II of Vietnam found that the activities of the programme had contributed to the development of the innovation ecosystem, the creation of legislation promoting innovation and start-up activities and the adoption of a new innovation culture. Also, the innovation ecosystem had strengthened (in terms of more actors joining, density and number of connections increased) during the implementation of the IPP II programme. These results, and the capacitation of the Vietnamese companies and other actors of the innovation ecosystem, have helped to make partnering between Finnish and Vietnamese companies and ecosystems possible, and the forthcoming evaluation on Finland’s Vietnam transition process is expected to shed light on the level and degree of collaboration since the IPP’s implementation.

Finding 28. Taxation being an important part of Finland’s portfolio, strengthening the Domestic Resource Mobilisation (DRM) of a country in transition, from development cooperation to an emphasis on commercial relations, could assist the country in bridging any gaps resulting from Finland’s decreasing development cooperation. *(Based on Taxation Annex)*

12 An “innovation ecosystem” is the term used to describe the various players, stakeholders, and community members that are critical for innovation. An innovation ecosystem includes universities, government, corporations, startup accelerators, venture capitalists, private investors, foundations, entrepreneurs, mentors, and the media. Each plays a significant role in creating value in the larger ecosystem by transforming new ideas into reality through access and financial investment. Public sector entities can and should play a part in developing the ecosystem.



In June 2020, the MFA published a new, “Taxation for development Finland’s Action Programme 2020–2023”. It links closely to the current (2019) Government programme of Finland, that states: “Finland will contribute to improvements in the taxation systems of developing countries”. In addition, in the programme it is declared that “Companies that receive development cooperation funds will be obligated to meet tax responsibility and transparency criteria, promote human rights and advance Finland’s development policy goals”. The new policy has three main pillars: (1) Its main objective is to strengthen the taxation capacity of developing countries. This goal will be promoted by strengthening the taxation capacity of the tax administrations of African countries in particular, in sustainable ways, such as cooperation projects implemented by the Finnish Tax Administration. (2) It aims at ensuring the tax responsibility and openness/ transparency of the companies supported from development cooperation funds. (3) It will also seek to strengthen the position of developing countries in the global tax policy and ensure that the perspectives of developing countries will be better taken into consideration in the international tax policy.

The taxation Action Programme’s pillars are well in line with the typical main objective of Finland’s transition from grant-based aid to commercial relationships, i.e. increased trade and other economic ties between Finland and the partner country. The Pillar 2 in particular is in line with the expected increased use of/investment by the PSIs in a transition.

The taxation Action Programme’s pillars are well in line with the typical main objective of Finland’s transition from grant-based aid to commercial relationships.

4.3.5 Results Based Management and Knowledge Management: lessons learnt

Sub-EQ 3.5. What lessons can be learnt for Finland’s Results-based Management and Knowledge Management, including reporting on results, from the performance under economic development, jobs and livelihood?

Evidence on this sub-evaluation question is based on the Country Case Studies of Kenya, Tanzania and Zambia, the PSI Study and the Thematic Annexes of Energy; Innovation; Taxation, and WEE (see Volume 2 of this Report for the full Country Case Studies and PSI Study, and Annex 8 of this Volume 1 for the Thematic Annexes).

Finding 29. MFA’s managing for results of the Economic development, jobs and livelihoods -portfolio is not at an optimal level and issues relate to the weak use of RBM and weaknesses in decision-making processes. There are also issues pertaining to staff strength and resourcing; lack of provision of leadership in the form of appropriate policies, and strategies; and problematic formulations of parts of the results framework. (Based on KEN-C10, KEN-C11, TAN-F32, TAN-C9, ZAM-C15, ZAM-C16, PSI Study, Thematic Annexes)

Starting from the Case Countries, in Kenya and Tanzania, the Country Strategy 2016–2019 could have considered the regional and global programmes more fully part of the portfolio and under the Embassies’ “ownership”. In both countries managing for results suffered because an intended large bilateral programme was not started nor replaced by any other interventions. The Embassy teams project excellent understanding of the country needs and constraints and are likely to provide valuable contribution in designing Country Strategy and Country Programme for Development Cooperation with interventions. Yet, the Embassies should be sufficiently and appropriately resourced to effectively cover all Finland-funded programming and instruments related to economic development, jobs and livelihood so as ensure their optimal RBM, coherence and any linkages to (other) Team Finland support work. In

The Country Strategy 2016–2019 could have considered the regional and global programmes more fully part of the portfolio and under the Embassies’ “ownership”.



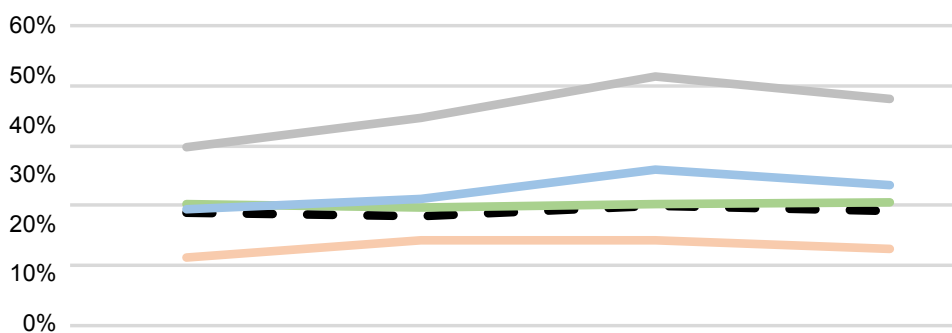
Zambia, while the PA2 objectives are reflected in both the 2016–2019 Country Strategy for Zambia and the related interventions, the ToCs have mostly been used for reporting and accountability to the Finnish parliament as opposed to actual results-based management. As of 2021 the MFA will no longer be reporting against development policy objectives in Zambia. In the absence of a Country Strategy from 2021 onwards, the objectives and targets of the new commercial relationship are yet to be defined.

In the field of energy, considering the significant volume of the portfolio, the fact that there is no articulated policy or strategy is somewhat unfortunate.

In the field of *energy*, considering the significant volume of the portfolio, the fact that there is no articulated policy or strategy is somewhat unfortunate particularly because significant (presumably) strategic choices have been made, including of directing large shares of financing through multilateral channels; and assessing this “strategy” is challenging without any clear information on it. Specifically, channelling most of the financing through multilateral organisations, seems to have brought with it some leverage and crowded in more finance for energy and climate projects, and created valuable partnerships with multilateral organisations. Simultaneously it seem to have, though, affected negatively the effectiveness of resource use vis-à-vis some of the Finnish development policy goals (e.g. transition from development cooperation to commercial relations’ emphasis, the effort to phase out fossil fuels) and the ability of the MFA to assess, monitor and report on this effectiveness. It has also reduced the control on funds and affected the resource allocation within the MFA system. Emphasis on the multi channels has led to less resources to regional and bi-lateral programmes as well as other implementation modalities. In the interviews of the MFA staff it was also mentioned to have affected the human and financial resources for embassies. The support the embassies can give to PSIs, companies and other stakeholders in the energy sector consists mostly of provision of general market information and arrangement of potentially useful contacts and meetings.

Referring particularly for the part of energy, Finland’s tendency to channel, overall, much of its ODA through the multilaterals is discussed in the context of a number of this evaluation’s findings. Figure 9 shows clearly that Finland’s channelling of ODA through the multilaterals is at a much higher level of volume than that of its peers.

Figure 9 Finland channels more ODA through the multilaterals than its peers



	2016	2017	2018	2019
■ ■ ■ DAC Countries, Average	29%	28%	30%	29%
■ Denmark	30%	30%	30%	31%
■ Finland	40%	45%	52%	48%
■ Norway	21%	24%	24%	23%
■ Sweden	29%	31%	36%	33%

Source: Evaluation team, based on OECD statistics at <https://stats.oecd.org/qwids/>



In innovation, while the results frameworks present a framework for innovation in development policy and cooperation, they do not provide any guidance in what or how to support innovation and where to target the resources. Currently, there are no MFA guiding principles in a form of a policy, strategy, road map or any other, for innovation and digital development. Yet, there has been and is quite a lot going on in innovation, ranging from in-country through regional programming to the work in the context of the UN and IFIs. Innovation also relates to the PSIs and overall bridging the Finnish interest – both political and commercial – with the SDGs and the development policy objectives. There should be an overall MFA Policy for Economic Development and Private Sector Engagement, and Innovation a key component of it.

In the field of *taxation*, there are considerable RBM issues, especially related to the ToC indicators' logic and accuracy. These are discussed in detail in the Thematic Annex Taxation. As an example, the PA2 tax-related indicator seems to suggest that paying taxes is an indication of understanding human rights impacts but it remains unclear whose taxes the indicator refers to.

In the field of *WEE*, there is no full clarity on whether the MFA's strategy in WEE is to mainstream WEE in all applicable interventions (as it is often stated) or to support interventions which specifically address WEE (as the case de facto seems to be). While on one hand many MFA interviewees say that WEE has been incorporated across various programming rather than kept separate to avoid having “a few women's projects” for addressing this aspect, still, as shown in the Thematic Annex WEE, in particular supported by the cases from KEO-30, ALI-40 and TUO-10, there is quite a lot of specific programming on WEE. This does not have to be an either/or issue and both strategies may well be applied at the same time, but again, a policy/strategy stating what and how is sought to be achieved would provide those deciding about the allocation of resources appropriate guidance.

There are no MFA guiding principles in a form of a policy, strategy, road map or any other, for innovation and digital development.

In the field of taxation, there are considerable RBM issues, especially related to the ToC indicators' logic and accuracy.

There is quite a lot of specific programming on WEE.



5 Conclusions

From the 29 findings based on the three country case studies, the PSI study, the Best Practices and Peer Review study and the four thematic annexes, eight conclusions are drawn. Two of them conclude what works, i.e. opportunities and strengths which encompass both aspects related to policy and management and implementation approach. Six conclusions summarise where there is most room for improvement or what does not work, i.e. challenges and limitations. Four of them address policy and management, and two implementation approach.

While the number of conclusions summarising areas for improvement is larger than those summarising what works, the what works conclusion #2 in particular contains a wealth of positive aspects related to the portfolio. Most approaches, many instruments and a large number of interventions are highly relevant and effective; and these include, notably, Finnfund (as an instrument and most of its interventions), the bilateral forestry programming in Tanzania, the former bilateral innovation programmes in Tanzania and Vietnam and WEE as an overarching objective of the TUO-10's portfolio. While there are yet many more relevant and effective interventions in addition to those mentioned, the portfolio of Economic development, job creation and livelihoods would benefit from increased coherence and most conclusions on “what could be improved” relate to the need to improve the important portfolio's results, impact and sustainability by making it more coherent.

5.1 What works – Opportunities and Strengths

Policy and management

Conclusion 1. The MFA has developed promising elements geared towards increasing coherence of the Economic development, job creation and livelihoods-portfolio. Significant improvements still need to be made in the coherence of the portfolio (this is further discussed in Conclusion 3).

This conclusion is based on Findings 1–26 and 29 and contributes to Recommendations 1, 4, and 5.

The establishment of the four Priority Areas, including PA2 in 2016 and the later (2020) effort to develop them into an overarching results framework, provided an opportunity for a major step towards coherence within the Finnish development policy and cooperation. Three years further in the past, the Country Strategies for Development Cooperation, first round introduced for 2013–2016, provided a similar opportunity for a step towards coherence in the country programming. Also, Finland is in line with the global (and Nordic) trend of including economic growth as part of the main development policy.

The effort will, however, still require a good push to result in significant improvements in the coherence of the Economic development, job creation and livelihoods –portfolio (this is further discussed in Conclusion 3).



Implementation approach

Conclusion 2. While showing mixed results, most of the MFA's approaches, instruments and interventions are relevant and effective.

This conclusion is based on Findings 2, 4–7, 12–13, 26–27 and contributes to Recommendations 5, 6 and 7.

Number of approaches, instruments and interventions evaluated appear relevant and effective. These include, inter alia, Finnish development cooperation on energy at large; supporting for example EITI, ATAF, and on the other hand civil society to function as a counterweight for governments; Finnish development cooperation on innovation, particularly the former bilateral innovation programmes in Tanzania and Vietnam; Finnfund as an instrument and most of its interventions; as well as the bilateral forestry programming in Tanzania. WEE as an overarching objective of TUO-10's portfolio is relevant and effective, and also builds coherence within Finland's Aid for Trade -portfolio with the multilateral organisations.

Also, the MFA has been active in trying to design new instruments and approaches for leveraging private sector knowledge, financial resources and technology for development. As a consequence, the interest of Finnish private sector entities towards emerging markets has increased.

Some of the new partnerships, including with the private sector, which the MFA has started to build and support, are promising as the types of approaches globally acknowledged required to achieve the SDGs. Examples include the collaboration with Sitra in circular economy, which has led to the multi-bi programme with AfDB and is seeking to become an entry point to influence AfDB's Member States' policies on circular economy and mainstreaming it. Also, gradually emerging and increasing cases of small-scale NGO-private sector collaboration, with support by KEO-30 or FP, are promising as they may open space for more extensive partnerships which could elevate and leverage development results. Issuance of the new guarantee (the special risk instrument SRI) for Finnfund in 2018 reflects the internationally acknowledged need for blended finance for high risk investments.

The Embassies, albeit understaffed and not able to cover all interventions particularly from the PSI and multi- and regional agencies and NGOs, have their feelers out. For instance, through the FLC the Embassies would be able to pick interesting leads and validate potential partners, including for larger scale programming and partnerships.

Finland's cooperation in the field of economic development and private sector engagement integrates all identified cross-cutting themes at least at the policy level (as far as they are spelled out in various documents) and Finland (together with the other Nordics) can be considered if not progressive but at least within the global trend of promoting socially and environmentally sustainable businesses.

5.2 What does not work – Challenges and Limitations

Policy and management

Conclusion 3. The absence of strategic leadership, notably in a form of a comprehensive policy and strategy, to strengthen economic development and private sector engagement, has negatively affected the portfolio's internal and external coherence, and its effectiveness.

This conclusion is based on Findings 1–26 and 29 and contributes to Recommendations 1–2 and 4–7.



While the four Priority Areas, with the results framework, and the country strategies are in place, there is a clear lack of strategic leadership for promoting the objectives reflected in the PA2 ToC and pulling the Economic development, job creation and livelihoods-portfolio together. There is no document that defines the background and the “mandate”, the key concepts or the approach to this policy Priority Area; neither is there any clear foundation, vision, policy, strategy or action plan.

Behind the lack of a coherent and comprehensive strategy, there appears to be a number of unresolved fundamental questions related to the ultimate approaches in addressing the objectives of the Economic development, jobs and livelihoods –portfolio. These include polarity of opinions in commercial interests; the question of whether the focus of addressing poverty should be on the immediate or on the medium-term outcomes, response to COVID-19 and other immediate, severe threats, and approach to WEE, all discussed more in the context of the Finding 22.

Compared to the Nordic peers and linked to the unresolved polarity of opinion in commercial interests, Finland’s development policy is not clear on its position in terms of leveraging private sector funds and the role of domestic companies. Finland (together with the other Nordics) lacks clear articulation on the priorities between urban and rural populations, and the lack of lessons generated from fragile contexts. Notwithstanding discrepancy in the global and Nordic donor landscape in terms of geographical interests and focus sectors, Finland’s cooperation in the field of economic development and private sector engagement appears even more unintentional than what could reasonably be expected. Finland might be lagging behind the other donors given the fact that it has not discussed the suitability of the MSD approach in the context of its interventions. In general, there is a lack of clarity on the donor’s main implementation approaches, also in terms of Aid for Trade.

Conclusion 4. Gaps in between the different Private Sector Instruments from the perspective of companies, NGOs and other partners limit building effective business cases for contributing to the development goals.

This conclusion is based on Findings 7–11, 16, 20 and 25 and contributes to Recommendations 1, 2, 4, 5 and 7.

The fact that the PSIs do not constitute a continuum of support, finance and services for the growth of companies or commercialisation of their innovations negatively affects their effectiveness and the effectiveness of the PSI palette as a whole. The situation is exacerbated by the differing, sometimes conflicting policy goals and scarce cooperation and collaboration between the instruments (and the embassies). In the course of programming, none of the modalities (PSI or other) addresses the challenges which relate to:

- Lack of support (instrument) to focus on facilitating building win-win cases between elements such as bilateral development aid programming and the PSIs/companies (or any other approaches/modalities);
- Limited Technical Assistance available for business case development;
- Non-availability of support for the build-up from a tested concept to a meaningful/significant business case; and
- Lack of support to joint action to build comprehensive/sectoral country business cases.

Compared to its peers, MFA has succeeded in generating valuable lessons from the testing of different PSIs in the use by companies alone and also companies and NGOs in collaboration and this should help them in bridging the above gaps and overall, make the PSIs more strategically and intentionally part of the overall portfolio.



Conclusion 5. Transitioning from developing cooperation to commercial (and other) relations requires developing and applying a strategised process prepared well in advance and sufficient resources to support this challenging process, an effort that Finnish support to Zambia so far has not reflected.

This conclusion is based on Findings 2–6, 10 and 27–28 and contributes to Recommendation 3.

Based on experiences related to transition from development cooperation to commercial relations' emphasis in Zambia, in order to transform relations into economic and trade-based collaboration, the process should be sufficiently resourced. Also there has not been a transition strategy as such in place in Zambia, and this has left the timespan and objectives of the process unclear both within the MFA and to Zambian stakeholders. To avoid simply phasing out development cooperation, a transition process would require conscious efforts and resourcing at the MFA in order to build trade relations. This is particularly the case in partner countries like Zambia, with which Finland, at the time the decision to transition was made, did not have dynamic trade relations and in which the Finnish Private Sector has previously shown limited interest. In Zambia, resources (both human and financial) have been significantly reduced since 2016, proactive and concrete efforts to create the desired commercial relationship have been made with limited human resources and mostly in the past two years. Tangible progress in commercial ties has not yet been achieved in the short time following the 2016 transition decision and such efforts will still require a longer process, pointing a need to provide such processes with a sufficient timeline too.

Assessing the thematic areas selected for this evaluation, innovation and taxation provided input to the conclusion on transition. The bilateral innovation programme, IPP, implemented before transition in Vietnam, built the base for expanding commercial relationships between Finland and Vietnam. Finland's new Action Plan on taxation focuses in assisting in Domestic Resource Mobilisation and any successful programming on DRM could assist a partner country in recovering resources to be missed because of discontinuing ODA.

Conclusion 6. Challenges in defining the Economic development, jobs and livelihoods portfolio and even only the PA2-portfolio, scattered and inconsistent data and issues pertaining to the role and formulation of the results framework constrain managing for results.

This conclusion is based on Findings 1, 3–7, 9, 12–15, 22–23, 25 and 27–29 and contributes to Recommendations 1, 2, 4 and 5.

Assessing the Economic development, job creation and livelihoods-portfolio's effectiveness is challenging. The portfolio is "not limited to PA2" and it is unclear what the PAs include (at the level of interventions) as interventions are being inconsistently recorded under the different PAs. This leads to scattered and inconsistent data that is of limited use for management or monitoring (and evaluating) purposes. There are also issues with the Results Framework/ToC and its indicators and adequacy and quality of data (which is very dispersed, with a lot of inconsistencies between e.g. the data from different sources on the same instrument).

The PA2, or the PA framework generally, does not function as a management tool. The prevailing view in the MFA seems to be that it is not supposed to serve that purpose, although differing views also exist. As noted in the Country Case Studies, the PA2 objectives/ToCs and related indicators have been incorporated as relevant when designing Country Strategies and funded programmes, but after that they have mostly been used for reporting and accountability as opposed to actual results-based management. For instance, in Tanzania and Kenya large bilateral programmes were left in limbo – resources allocated for programmes that for various reasons were not implemented, were not put in any other, more feasible use – which can be viewed as a failure;



and much of the portfolio is scattered in Zambia which had a clear focus on PSD, but little continuity or synergies between programmes. The transition from development cooperation to commercial relations'/end of aid agenda has been prioritised over the achievement of PA2 objectives in 2016–2020.

There are numerous missed opportunities due to time delays between different programmes that were meant to link (Programme A should have fed in the Programme B). At times, the situation is to some extent the result of factors beyond the MFA's control, but in most cases it is not. In "innovation" examples include both TANZICT (in Tanzania) and SAIS II (covering also Tanzania), the AGS Programme in Zambia and SAIS II (covering also Zambia), and the Tanzania forestry programmes.

Implementation approach

Conclusion 7. Linked to Finland's overall tendencies to channel aid through multilateral organisations and allocate resources through multiple channels, making also interesting new openings, the embassies are both under-staffed in particular vis-à-vis their ability to support private sector and not always optimally playing their role in the management of the Economic development, job creation and livelihoods-portfolio.

This conclusion is based on Findings 20–21, 23, 25–27 and 29 and contributes to Recommendations 2, 5 6 and 7.

There is a trend to channel aid through multilateral organisations, and with less direct, bilateral programming, this seems to have resulted in, inter alia, a decreased role – or at least decreased resourcing – of the embassies. There is often a discrepancy between policy goals that appear to reflect the (passed) era of prioritising bilateral programmes and direct interventions, whereas the emphasis of resource use has moved to multilateral modalities. This contradictory trend is incompatible with e.g. the transition from development cooperation to commercial relations' agenda and for making use of any new types of opportunities requiring a strong country presence.

Finland appears to be a forerunner in some important and interesting development trends, for example innovation and circular economy. The downsides are that with new themes, instruments and programming introduced, while not necessary moving out from the older, resources draw thin and follow-up to both the new trends and existing programming may become a challenge. This is another element taxing the MFA's human resources particularly at the embassies and increases also the likelihood for a rather scattered portfolio. So, the challenge for Finland will be to ensure that the width of the portfolio and the (human) resources to manage it for results meet, particularly in the embassies.

Also, while individual experts in the embassies perform well, the available capacity is neither continuous nor sufficient to support especially this thematic area. In particular, the embassies often cannot support private companies/PSIs at the country level or meaningfully cover all regional and global interventions Finland supports. This discrepancy between policy and practice has a particularly negative effect on coherence.

Also related to the non-optimal use of the embassy human resources and overall issues regarding the role of the embassies in joint planning and monitoring processes, it seems that good leads and business cases emerge with limited resources, but those opportunities are not necessarily built on. This seems to link to both to the resource limitations at the embassies, and to how the portfolios are built and at whose lead. For example, in Kenya, the potential of FLC projects to be catalytic has been strong. They have both been strong on creating opportunities for jobs and/or income generation as well as innovative in approach. They have also had an explicit focus on marginalised and vulnerable groups. However, given the high number of projects funded, the



small size of funding amounts granted per project and the short duration for implementing the projects, the FLC interventions have not been used as a strategic tool. There has also been no effort to link FLC project partners to other instruments, meaning that even projects that have had the potential to grow substantially and offer opportunities for Finnish businesses were not exploited.

Conclusion 8. While both bilateral and multilateral programming would provide important opportunities for intensified partnering for results, including with the Private Sector Instruments and companies, these opportunities remain largely underutilised, and requirements set for the bilateral/direct channel and the multilateral channel often differ significantly.

This conclusion is based on Findings 20–21, 23, 25–27 and 29 and contributes to Recommendations 1, 2, 5, 6 and 7.

On one hand, bilateral/direct programmes assessed for this Evaluation show relatively high relevance and effectiveness; however, there seems not to be an appetite for new large, bilateral programmes, despite the fact that continued bilateral presence particularly in innovation would benefit Finland to maintain its relative global lead and its high relevance in innovation in the UN context; it would equally open doors for the Finnish business interests. Yet, since the end of the Tanzania and Vietnam bilateral innovation programmes, no new programming has started – even despite a signed agreement with the Tanzanian authorities on a follow-up programme. As for taxation, the priorities of the 2020 Action Plan will create some challenges, regarding e.g. implementation by multilateral partners, and the role of bilateral diplomacy and influencing in partner countries.

On the other hand, the MFA at large, and embassies in particular, could have a stronger role also in cases where funds are channelled through multilateral organisations. The current MFA's internal coordination, exchange of information and joint planning and monitoring processes are, however, not supportive in that regard. When assessing the portfolio of WEE, the Evaluation detected some cases of opening of space and opportunities within the multilateral agencies' programming for partnering with bilateral interventions and with the donor's private sector companies.

With regards to strengthening MFAs role overall, in relation to channelling aid through multilateral organisations, in energy, there is a clear trend of prioritisation of multilateral channels and organisations. Hence, instead of trying to influence the energy policy issues with developing country governments alone, Finland tries to influence the policies of the multilateral organisations, normally through its presentation in the governing bodies. Making a concerted effort, currently, the MFA is, together with the Minister of Finance that represents Finland in the World Bank Group, drafting guidelines/a policy paper on energy, to be used in the governing bodies in multilateral organisations (mainly development banks).

Differing requirements set for the bilateral/direct channel and the multilateral channel, result in inconsistencies in steering of different PSIs, which are not typically in favour of Finland's "own" instruments as they may be subjected to much more stringent requirements and limited space for independence. In the case of FIBFC there is an agreement on the use of funds between Finland and the IFC, and programme document with general eligibility guidance attached to it. In practice the decisions of how the individual investments with aggregated value of US\$114 million are made is left to the IFC machinery. Finnfund, or even FP are much more rigorously or "manually" steered than the FIBFC. Finnfund receives an annual Ownership Steering Memorandum (OSM), with detailed objectives and targets against which it has to report. In FP the MFA control is very tight and the Ministry even makes all (sometimes very small) separate support decisions.



6 Recommendations

6.1 Strategic recommendations

Recommendation 1. Develop a comprehensive, coherent and actionable Policy for Economic Development and Private Sector Engagement.

This recommendation is based on Conclusions 1, 3, 4, 6 and 8, and includes the following actions:

The establishment of the PA2 with its TOC and indicators provides the framework¹³ for the Economic Development, Job Creation and Livelihoods portfolio, and the proposed Policy for Economic Development and Private Sector Engagement would provide the content. The Policy should lay the foundation, provide the mandate, define the key concepts, present the vision, and describe the strategy, approaches and means for coherent, relevant and effective implementation of the Economic Development, Job Creation and Livelihoods portfolio.

The policy should be developed in two stages: Stage 1 would be MFA's internal process and involve all relevant departments and embassies; Stage 2 would consist of stakeholder consultations and proceed from the involvement of key partners to a multi-stakeholder dialogue process. During both stages it would be preferable to make use of external assistance to facilitate the process and draft the policy.

At the start of the Stage 1, the MFA should try and resolve the fundamental questions related to the approaches in addressing the objectives of the Economic development, jobs and livelihoods portfolio. These questions relate to the role of the PSIs and companies, poverty/time dimension, response to COVID-19/global crises, and WEE/domain dimension, and are presented in more detail in discussing Conclusion #3. Agreeing on the MFA's common stance on these questions, prior to launching into the policy development, would be an important pre-requisite for a successful implementation of the policy. The fundamental questions are mainly not either/or questions. For example on WEE, the decision may well be that the MFA should be active in both the informal and the formal sectors but it would then be a jointly agreed decision with any trade-offs considered, and there could perhaps be some guidance included on the types of cases that would rather merit the option informal and those requiring the formal. The MFA may well discover other fundamental questions, in addition to the four identified in this Evaluation, that need to be given some consideration too. In this context, as noted when discussing the Best Practices and Peer Review, intentional linkages between private sector development interventions and poverty reduction and focus on vulnerable populations need to be established.

Continuing Stage 1 of the policy formulation process, the MFA should then proceed to considering the nine main elements required to form a coherent and comprehensive strategy to strengthen economic development. As noted in findings related to the EQ2, these nine main elements encompass the Objective of the policy Priority Area, the Donor policy framework, Geographic focus, Sectors, Cross-cutting issues, Approaches, Modalities, the way the topic is managed within the Donor organisation, as well as Monitoring, evaluation, learning and communication con-

¹³ Recommendation 4 addresses issues related to this framework.



siderations. Under each of these elements, different options exist and the MFA ought to make choices for the strategy to remain feasible and in line with its overall development policy. Here, in addition to HRBA and cross-cutting objectives related to gender, equality and climate, as an obvious cross-cutting theme and a strong-point of Finland's development policy and cooperation, innovation should be fully mainstreamed into the policy.

Clearly, the starting point would be to define, linking to the SDG 8 Decent Work and Economic Growth, the specific objectives that the policy aims to achieve. In this context, noting that Private Sector Engagement is rather means to end in the overall achievement of the SDGs, objective(s) on and related to (1) leveraging private sector funds and capacities toward development-oriented investments, (2) promoting collaboration between domestic and partner country private sector actors, and (3) promoting private sector development in partner countries, should be considered.

Fundamental issues resolved and the objectives and elements of the Policy internally agreed to in a form of well-justified options, the MFA could then move to Stage 2. Eventual implementation of the policy requires close partnerships and collaboration. Also, already at the Policy and PSI Guideline's (see Recommendation 2) development stage, a resourcing plan should be agreed to cover both the proposed pilot (see Recommendation 5) and overall implementation of the Policy. One of the key issues to cover in the consultations with one of the main partners, Business Finland, is whether Business Finland resources could be drawn from to have the required personnel particularly at the selected embassies in place.

With regards to the multi-stakeholder dialogue process, the development of Finland's Africa Strategy could pave the way to consultations on the Policy for Economic Development and Private Sector Engagement. Lessons could also be learned from the now-outdated processes/outputs of the past Aid for Trade Strategies and other "sectoral" strategies, as well as from the Nordic/peer best practices. Consultations should cover, inter alia, the PSIs and private sector, NGOs, relevant Ministries and Government agencies, selected multilateral- and regional agencies, etc.

Recommendation 2. Develop practical PSI Guidelines to accompany the Policy for Economic Development and Private Sector Engagement and, in this context, take also other required action to increase the PSIs' coherence and effectiveness.

This recommendation is based on Conclusions 3, 4, 6, 7 and 8, and includes the following actions:

After resolving the fundamental questions referred to in Recommendation 1 and particularly that pertaining to the role of Finnish private sector companies and instruments that support and/or finance them, parallel to the process of developing the Policy for Economic Development and Private Sector Engagement, the drafting of the practical PSI Guidelines can be launched, too.

The guidelines and any affirmative activities, including sufficient resourcing of in particular the embassies, would be expected to lead to clearer roles for PSIs (as separate instruments and in relation to each other), develop them towards a continuum of innovation/business development support and financing, and make more coherent the expectations of and guiding by the MFA to these instruments. All this would increase the effectiveness of the instrument set and support the MFA in using PSIs in a more strategic way.

Developing the PSI Guidelines could be led by KEO-50 and it should involve all relevant MFA departments and embassies, the PSIs, Business Finland and any other stakeholder necessary, bearing, however, in mind that there be a multi-stakeholder dialogue on the Policy for Economic Development and Private Sector Engagement, and the Guidelines may not require the same because of leaning in the strategic to the Policy and consisting on the practical "how to" regarding to the PSIs.



Major steps of the process of preparing the PSI Guidelines and related strengthening of the PSIs coherence and effectiveness include:

- MFA to better tailor its guidance and requirements for PSIs (and the companies the PSIs fund/finance) according to the nature and role of the instruments.
- In order to fill the gaps in the business/innovation development support and available financing:
 - Review the roles and resources of FP, DevPlat and EEP in a way that enables them to support companies and their projects further “downstream” towards bankability and support larger projects.
 - Give Finnfund TA or other funds to enable it to move “upstream” and support prospective investees to achieve bankability, and its portfolio companies in responsibility compliance and ensuring positive development effects.
 - Either identify ways to alleviate the compliance burden of private sector entities supported/financed by PSIs; or develop tools and financing models that cover part of compliance costs and mitigate risks the companies face. Both alternatives would narrow the support/financing gap now visible between the PSIs’ offerings.
- Develop mechanisms through which embassies could feed specific, tailored market and other relevant information in PSI project preparation processes, without complicating such processes unnecessarily. This item is conditioned by the realisation of the last, geared more towards the coherent and relevant management of the PSIs with the new guidelines;
- Increase qualified human resources at the Ministry and embassies in a way that would enable them more effectively support PSI operations and private sector entities in their quest for partnerships and market access. While not solving the issue fully, well targeted training and exposure, for instance in the form of staff exchange with an appropriate Team Finland player, could alleviate the shortage of PSI and private sector-savvy embassy staff.

Recommendation 3. Make transition from development cooperation to an emphasis on commercial relations the business of the whole MFA and its partners. Consider making use of bilateral innovation programmes to build partners and level the playing field for Finnish companies; and providing taxation programming to make the country’s DRM more effective.

This recommendation is based on Conclusion 5 and includes the following actions:

There are lessons to learn from the transition from development cooperation to commercial relations’ emphasis in Zambia. Based on the findings of this evaluation, transition appears to be another topic that lacks a uniform definition within the MFA. Thus, a starting point for better transitions in (former) partner countries would be to agree what the MFA means by “transition”. If the objective is country-specific, then, defining the country-specific transition – its objectives, approaches and modalities – should be part of developing a transition strategy. In addition to defining what transition from development cooperation to commercial relations’ emphasis means, the MFA should clarify the criteria of deciding about a transition and make the transition processes, from their start, more open and transparent. As overall resources at the MFA’s disposal are typically scarce, clarifying the criteria used to decide about a transition (and defining transition) should also include the options of (gradually) exiting from development cooperation without a transition – a country, where the likelihood of remarkable Finnish business interest (even as a result of any public sector measures) is likely to be very limited could perhaps be simply considered as “exited” without a transition so as to invest the resources where they would be likely to have a positive impact.



As noted when discussing the Best Practices and Peer Review, transition from development cooperation to commercial relations' emphasis is closely related to private sector engagement strategies and it can be approached from several perspectives including transitioning from more traditional development aid to strategic private sector engagement, from bilateral cooperation to trade relations, or from the perspective of totally rethinking the global development paradigm. Transition requires a strategy, and it should be developed with the MFA's lead but in wide cooperation with relevant stakeholders. For example, Vietnam's transition strategy was formulated with Finnish stakeholders within and outside the MFA: the Ministry of Economic Affairs and Employment (MEAE), Tekes (former Finnish Funding Agency for Innovation, currently Business Finland), Finpro (former Finnish trade promotion organisation, currently Business Finland), Ministry for Education and Culture, Natural Resource Institute Finland, Finnish Meteorological Institute, Finnish Environment Agency, Finnish Water Forum (FWF), Finnfund and FP. These organisations were also invited to the Vietnam group, an informal governmental group on Vietnam that has gathered biannually during the implementation of the transition strategy. There is no such strategy, nor a 'Zambia group' for Zambia's transition.

Within the MFA, transition should be everyone's business not only limited to the embassy and the country team. Planning should start early, preferably so that there could be at least two full programming cycles ahead to facilitate the transition, and the strategy should be in place from the very start of the process and pinpoint actions to take during the last two programming cycles left before transitioning. There should be a dialogue with relevant authorities, business promotion organisations/trade and investment support institutions, and other stakeholders of the partner country during the development and implementation of the strategy. One of the key objectives of the strategy would have to be securing ownership of relevant actors in Finland and in the partner country, and strategic activities to this end should be jointly devised. In such a process, the concerned embassy should be sufficiently and appropriately resourced, in particular with regards to the human resources, where the emphasis should be on placing staff into the transition embassy who are conversant with the private sector, PSIs and the overall Team Finland agenda. The MFA could consider, for the final one or two programming cycles before transitioning out of development cooperation, to implement programmes such as the bilateral innovation programme in Vietnam, which succeeded in building partners and levelling the playing field for the Finnish private sector, and programming in taxation to try and strengthen the country's capacity to mobilise domestic resources.

Given that the transition process in Zambia is still underway and quite different from e.g. the Vietnam experience, lessons from Zambia should be documented by the country team and shared MFA-wide at a slightly later stage, e.g. when the implementation period of the final bilateral programme (designed to support the transition process) is coming to a close.

Recommendation 4. Link implementation of the recommended Economic development and private sector engagement strategy with strengthening of the management for results of the portfolio.

This recommendation is based on Conclusions 1, 3, 4 and 6, and includes the following actions:

An apt starting point for strengthening managing the portfolio for results would be to provide more accurate guidance to recording interventions under PAs, including the PA2. This should be linked to defining the portfolio in the context of developing the proposed Policy for Economic Development and Private Sector Engagement, and the PSI Guidelines. In this context, decisions could be made which would simplify and streamline both the portfolio and the guidelines for recording interventions to it. For example, there would be merit in considering the FP as one intervention (programme) rather than maintaining that each of its funding provisions is an intervention on its own, and in placing it to the PA2 instead of deciding – and as discussed in the portfolio analysis, often failing to decide at all – for each of its funding provision separately which PA it belongs to.



In any next revision of the Results Framework/TOC and indicators (overall or for the PA2), the framework and the indicators could also be simplified and streamlined. The proposed Policy for Economic Development and Private Sector Engagement should provide the strategic elements of what, where, to whom and how of the portfolio, and the Results Framework/TOC and indicators should optimally support it.

While these actions would help to shape and tighten the PA2 portfolio and to make data more consistent, consolidated and usable, there is still the prominent MFA view that the PA framework does not and should not function as a management tool. Yet, be the PA framework the medium or not, there is certainly room for improvement in the PA2 RBM, and the MFA should decide how to go about it so as to ensure effectiveness in resource allocation (to avoid programmes in limbo), timeliness (to ensure bridging of interventions where optimal), and moving from scattered portfolios in-country and overall towards increased coherence. If the decision is that this be not done in the context of the PA framework, then the use of all other management systems, processes and tools has to raise to the level of improved RBM.

6.2 Operational recommendations

Recommendation 5. Make implementation of the Economic Development, Job Creation and Livelihoods-portfolio more coherent by strengthening working together across departments and embassies, and by considering making use of more holistic implementation approaches, such as an eco-system approach, and start with a pilot.

This recommendation is based on Conclusions 1–4 and 7–8, and includes the following actions:

More closely working together across the departmental divisions and various embassies would be recommendable in order to implement the proposed new Policy for Economic Development and Private Sector Engagement. Taking an “ecosystem approach” to the implementation would likely require also tightening collaboration with various partners such as other Team Finland actors, private sector and NGOs.

Finland’s partner countries and the themes/thematic subjects/sectors Finland covers/has the interest/comparative advantage to cover offer several possibilities to pilot what would be considered the approach with most to offer in building coherence: an “ecosystem approach”. In such an approach, Finland (MFA and its partners), as a relative agile, innovative and effective player, would, in a comprehensive and coherent manner and in partnership with the host country authorities, businesses and stakeholders, rather holistically address a major systemic development issue.

In broad lines, to do so, the MFA and its Finnish partners would (possible examples are provided in the brackets):

- Choose a topic to concentrate on the basis of needs/challenges on the ground and the Finnish added value to contribute in resolving a systemic development issue related to it (e.g. circular economy), possibly place it on a sector (e.g. forestry), and choose a country/region (e.g. Tanzania); and then;
- Agree on how to do it: by applying different approaches (e.g. the multi-bi AfDB Circular Economy project for the policy component), instruments (e.g. MFA’s bilateral forestry programming; DevPlat’s support to Finnish and Tanzanian private sector partners; NGO programming) and partnering with private companies, NGOs, multilateral agencies (and/or any required partners, as also possibly supplied by the FLC) through targeted interventions;
- Provide a comprehensive systemic solution to address, in a (at least partially/for the private sector companies involved) commercially viable way, a major development challenge (e.g. how to support Tanzania in mainstreaming circular economy overall and with tangible, concrete steps taken in the forestry sector).



The approach would not only require a well-led, focused and concerted effort but also allocation of resources to strategic places, including, as alluded to in Recommendation 1, with and by Business Finland's staff in the selected embassies. Planning and designing as well as resourcing, implementing and monitoring of such an eco-system pilot would likely require external management facilitation, possibly through Business Finland.

Piloting with an eco-system approach should not automatically exclude other approaches but the approach should be selected as appropriate for the case. Operating in environments where economic growth is present, for it to lead to more and better jobs and increased income, the Making Markets Work for the Poor, or the Market Systems Approaches, as well as Inclusive Business models, could be considered.

Recommendation 6. Continue/increase investing into direct, bilateral programmes in selected, strategic sectors, notably on forestry, innovation, PSD.

This recommendation is based on Conclusions 2, 3, 7 and 8, and includes the following actions:

Large, long-term bilateral programmes assessed in this Evaluation seem relevant and effective in contributing to development goals (or plausibly so if not very far in the implementation) and opening space and opportunities – in the past and currently only very limitedly tapped – for new partnerships and business interest. They should not be abandoned and could form a cornerstone of many (ecosystem approach) interventions under the new Policy for Economic Development and Private Sector Engagement. This would require an adequate and appropriate resourcing of the embassies.

Recommendation 7. Create and seize opportunities for increasing partnering and collaboration with multilateral programming, particularly at the country level, and consider increasing partnering with the EU.

This recommendation is based on Conclusions 2–5 and 7–8, and includes the following actions:

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

Transitioning countries in particular could benefit from closer coordination and collaborations with the multilaterals, and Finland could be active at the country level although significant funding might not be available anymore. The role – notably for the embassy – to play could be to bring people and entities together, networking, supporting partnerships, sharing best practices, etc. The cases of opening of space and opportunities within the multilateral agencies' programming for partnering with bilateral interventions and with the donor's private sector companies alluded to in Conclusion #8 should be followed up for learning.

A question can also be raised of why more support is not allocated through the European Union and in partnership with the EU? Case in point, Finland, thus far, seems to not to have played a role in the EU's programming on digital cooperation in Africa. Finland is a desired partner in innovation and could yet more pro-actively seek to make itself better known and available. EU's flagship programmes (in digital cooperation) are currently (October 2020) with the Member States for comments. Becoming a part of them, in the future, there might be opportunities for Finnish business interest in them, too. Overall, innovation is a case in point theme in economic development, where finding the right balance in the portfolio between global and country-level interventions and identifying synergies between these approaches and with other themes could yet further enhance its effectiveness and potential impact.



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