

Evaluation

Country Programmes between Finland and Nepal, Nicaragua and Tanzania

POLICY BRIEF



Special edition 2012:1

MINISTRY FOR FOREIGN AFFAIRS OF FINLAND

- SPECIAL EDITION** POLICY BRIEF: Country Programmes between Finland and Nepal, Nicaragua and Tanzania
2012:1 ISBN: 978-951-724-655-2 (printed), ISBN: 978-951-724-659-0 (pdf), ISSN: 1235-7618
- REPORT 2012:3** Country Programme between Finland and Tanzania
ISBN: 978-951-724-993-5 (printed), ISBN: 978-951-724-994-2 (pdf), ISSN: 1235-7618
- REPORT 2012:2** Country Programme between Finland and Nepal
ISBN: 978-951-724-987-4 (printed), ISBN: 978-951-724-988-1 (pdf), ISSN: 1235-7618
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ISBN: 978-951-724-983-6 (printed), ISBN: 978-951-724-984-3 (pdf), ISSN: 1235-7618
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ISBN: 978-951-724-790-0 (printed), ISBN: 978-951-724-791-7 (pdf), ISSN: 1235-7618

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Country Programmes between Finland and Nepal, Nicaragua and Tanzania

Julian Caldecott
Michael Hawkes & Bhuban Bajracharya (Nepal)
Fred van Sluijs & Benicia Aguilar (Nicaragua)
Arto Valjas & Berdaneta Killian (Tanzania)
Anu Lounela

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The evaluation was commissioned by the Ministry for Foreign Affairs of Finland to S.A. AGRER N.V. (Belgium). The consultants bear the sole responsibility for the presented views. The report does not necessarily reflect the opinions of the Ministry for Foreign Affairs of Finland

This report can be accessed at <http://formin.finland.fi>
Hard copies can be requested from: EVA-11@formin.fi
or

The Ministry for Foreign Affairs of Finland
Development Evaluation (EVA-11)
P.O.Box 451
FI-00023 GOVERNMENT
Finland

ISBN 978-951-724-999-7 (printed)

ISBN 978-952-281-000-7 (pdf)

ISSN 1235-7618

Cover photos: Outi Einola-Head, Martti Lintunen, Martti Lintunen

Cover design: Anni Palotie

Layout: Taittopalvelu Yliveto Oy

Printing house: Kopijyvä Oy

Anyone reproducing the content or part of the content of the report should acknowledge the source. Proposed reference: Caldecott J, Hawkes M, Bajracharya B, van Sluijs F, Aguilar B, Valjas A, Killian B, Lounela A 2012 *Policy brief: Evaluation of Country Programmes between Finland and Nepal, Nicaragua and Tanzania*. Special edition 2012:1. Ministry for Foreign Affairs of Finland, Kopijyvä Oy, Jyväskylä, 12 p. ISBN 978-951-724-999-7 (printed).

CONTENTS

ACRONYMS AND ABBREVIATIONS	vii
SUMMARY.....	1
1 INTRODUCTION.....	3
2 FINDINGS	3
2.1 Interactions among policies and agents.....	3
2.2 Implementing the Paris Declaration.....	5
2.3 Promoting the cross-cutting themes	6
2.4 Putting policy into practice.....	7
2.5 Successes and failures	8
3 CONCLUSIONS.....	9
4 RECOMMENDATIONS.....	10
SOURCES OF INFORMATION.....	12

ACRONYMS AND ABBREVIATIONS

ACAP	Country Assistance Plan
CCT	Cross-cutting theme
CSO	Civil society organisation
e.g.	exempli gratia ('for example')
FAV	Finnish added value
GBS	General budget support
G/D	Governance/decentralisation
GESI	Gender equity and social inclusion
i.e.	id est ('that is')
LCF	Local Cooperation Fund
MFA	Ministry for Foreign Affairs of Finland
NGO	Non-governmental organisation
PFM	Public financial management
PGHR	Peace-building, governance and human rights
SWAp	Sector-wide approach programme
WASH	Water, sanitation and hygiene

SUMMARY

This evaluation of the Finnish country programmes with Nepal, Nicaragua and Tanzania over the past decade was commissioned by the Ministry for Foreign Affairs of Finland (MFA) and focused on: (a) how anti-poverty development policies and the agents of policy implementation interacted, and influenced each country programme; (b) how cooperation contributed to aid effectiveness in Paris Declaration terms; (c) how cooperation contributed to promoting the cross-cutting themes (CCTs) of Finnish development policy; (d) how the Finnish development policy frameworks of 1998, 2001, 2004 and 2007 were transformed into practice, including the issue of Finnish added value; and (e) how the successes and failures of the recent past can be understood and used to improve the processes of development cooperation. It drew the following conclusions, based on details in following sections and in the country reports themselves:

- **The staff of Finnish embassies** were notably able to adapt to challenges and make use of opportunities while remaining true to professional values.
- **The selection of priorities and modalities** in the country programmes resulted in practice less from planning than from the net effects of various influences with different degrees of potency in each country, including: opportunities identified by the embassy to collaborate with other donors or fill gaps in their coverage; needs expressed by government; directions suggested by the Paris Declaration; directions suggested by the Finnish development policies; directions suggested by government plans; the desire to continue with long-term development relationships in particular locations; changes to the special circumstances of the country; and the personal preferences of decision makers in the MFA, embassy or government.
- **Lessons from success** teach the value of: (a) making small but strategic and well-targetted contributions to multi-donor enterprises and combining them with the energy and competence needed to obtain respect and influence; (b) using well-formulated strategies for promoting participation, inclusion and equity in all contexts; (c) being willing to participate with government and donors in serious, long-term sectoral programmes; and (d) being able to preserve a complementary role for innovative and strategic technical experiments and partnerships that sometimes yield game-changing outcomes.
- **Lessons from failure** teach the need to: (a) actively build agreement with government that key strategic issues such as climate change should be addressed; (b) maintain active dialogue with government especially at difficult times; (c) understand the consequences of supporting civil society groups that may be perceived as competing with government; (d) maintain at all times the role of critical friend, partner and counsellor of government; and (e) require and ensure that programming is always based on rigorous, transparent analysis and collective decision making.
- **Key recommendations** flow from the lessons learned, and also include: (a) that MFA and embassy teams should jointly develop clear, practical guidelines on how to mainstream the CCTs, apply the Paris Declaration principles and ad-

dress climate change issues in the context of comprehensive country programme strategies; (b) that options should be explored for reducing staff turnover rates at MFA and the embassies in order to preserve institutional memory; and (c) that the Local Cooperation Fund modality should be revalidated as a primary way to support civil society in complementing other aspects of the country programme.

1 INTRODUCTION

This policy brief is based on an evaluation of Finland's development cooperation with Nepal, Nicaragua and Tanzania over the last decade (see references). These country programmes differ in their financial scale, with 2010 disbursements by the MFA being €17 million to Nepal, €13 million to Nicaragua and €36 million to Tanzania. The following sections offer the main findings and non-country-specific conclusions and recommendations, based on a study which focused on:

- how anti-poverty development policies and the agents of policy implementation interacted, and influenced each country programme;
- how cooperation contributed to aid effectiveness in Paris Declaration terms;
- how cooperation contributed to promoting the cross-cutting themes (CCTs) of Finnish policy, such as good governance, democracy, rule of law, human rights and gender equity;
- how the Finnish development policy frameworks of 1998, 2001, 2004 and 2007 were transformed into practice, including the issue of Finnish added value; and
- how can the successes and failures of the recent past be understood and used to improve the processes of development cooperation.

2 FINDINGS

2.1 Interactions among policies and agents

Relations with partner governments

In **Nepal**, Finland was present in the field throughout the armed conflict of 1996-2006. Dialogue and new programming were suspended during the climax of the conflict in 2005-2006, so Finland's 2004 development policy had little direct influence, but its long-term presence put Finland in a good position to develop a close relationship with government after the war. Thus relations since 2007 have been excellent, having been reinforced by frequent problem-solving interactions with various ministries and particularly the Ministry of Finance (an important partner because of its convening power), by regular formal consultations, by frequent high-level exchange visits and by a host of other contacts between the two countries. Guided by its 2007 development policy, Finland has focused on supporting the government's key development priorities, through participation in multi-donor arrangements in the areas of peace-building, governance and human rights (PGHR) and school education, and bilaterally by maintaining, re-starting or beginning various pro-poor interventions in the water, sanitation and hygiene (WASH), forestry, environment and climate change sectors.

In **Nicaragua**, Finland's 2004 development policy had considerable direct influence because it converged with the interests of government and the international community in developing sector-wide approach programmes (SWAs), and also in proving

debt relief and general budget support (GBS) to allow social investment without macroeconomic distortion. In 2004–2007, therefore, Finland developed SWAPs in the areas of environment, governance/decentralisation (G/D), rural development and health/gender, and also participated in GBS arrangements. A key change occurred in 2007 when a Sandinist government came to power with a radical, nationalist and pro-poor political agenda, and innovative ideas on decentralisation and governance. Overshadowing any influence of the Finland’s 2007 development policy, this change led to friction and a breakdown of government dialogue with donors including Finland, the end of Finnish participation in GBS, and the failure of the G/D SWAp. The latter was replaced by Finnish support to civil society groups interested in good governance and human rights, but perceived by government to be its political opponents, and this aggravated the whole situation. Meanwhile the environment SWAp was discontinued for other reasons but the rural development and health/gender SWAPs continued to be seen by government as pro-poor and constructive, and have therefore continued.

In **Tanzania**, the evaluation decade saw no major internal discontinuities, but rather the subtle interplay of a politically stable government with a large and well-established donor community, a diversifying economy and the beginnings of an exponential increase in foreign direct investment particularly in the plantation and mining sectors. Finland maintained dialogue with government throughout, primarily through multi-donor channels rather than directly, but with occasional high-level contacts that, especially after 2007, led to a number of bilateral initiatives. Consistent with Finland’s 1998 and 2004 development policies, Finnish support was given in the form of bilateral projects in the areas of forestry and land use, and alongside other donors to debt relief, GBS and programmes on education and local government reform.

Apart from education, these themes continued after 2007 in Tanzania, but national capacity constraints led to the abandonment of an incipient forestry SWAp and these constraints also encouraged donors, including Finland, to revert to the increased use of projects. This trend was resisted by government and led to weakening dialogue between the donor community and government, which was also eroded by a lack of consensus surrounding conditions attached to GBS. Finnish bilateral activities became a growth area, however, as the MFA was receptive to the special interests of government leaders (e.g. in founding the Sustainable Development/Uongozi Institute and financing an electricity supply project for Dar es Salaam), while other projects showed signs of responding to Finnish and/or Tanzanian political priorities (e.g. activities in Mtwara, Lindi and Zanzibar). Some of these lacked merit in terms of Finland’s development policies, and they fragmented the country programme, but they did contribute to what continues to be a congenial relationship between Finland and Tanzania.

Relations with other donors

In **all three countries**, Finland has been particularly effective in using its position as a small donor to gain access to multi-donor forums and its skilled and energetic em-

bassy staff to exert strong influence in those forums. In **Nepal**, they included the Education Development Partners' Group and the Utstein Group. In **Nicaragua**, they included the Common Fund for Civil Society and Governance, the Joint Fund for Gender Equity and Sexual and Reproductive Rights, the Common Fund for Rural Development and Sustainable Production, and the Nicaraguan Health Fund. In **Tanzania**, they included the Development Partner Group and its various sectoral and thematic working groups, including those on local government reform, natural resources, environment, and innovation and technology. In **all three countries**, however, there is increasing government-to-government support and investment by countries that do not fully participate in established coordination arrangements, including by India and China in **Nepal**, by Venezuela in **Nicaragua**, and by China, India and Saudi Arabia in **Tanzania**. These interventions pose an increasing challenge to the orderly programming of development cooperation and the analysis of its impacts by all other official donors, including Finland.

Relations with civil society

In **all three countries**, the MFA has supported a diverse ecosystem of Finnish non-governmental organisations (NGOs) and their local counterparts in ways that are consistent with its development policies and that complement the country programme, while the embassies have also used the Local Cooperation Fund (LCF) modality to support civil society organisations (CSOs) to similar ends. In **Tanzania** and **Nepal**, however, there has been a tendency to focus the LCF on a decreasing number of larger CSOs, with the aim of reducing management demands on the embassy but having the effect of stifling smaller CSOs with growth potential. In **Nicaragua**, the embassy decided to close the LCF in 2008, partly with the same aim but also because resources were to be diverted to the multi-donor Common Fund for Civil Society and Governance, and to grants under the embassy's own good governance and human rights programmes. These changes had the effect of creating aid dependency and, because of the political situation at the time, political isolation among some Nicaraguan NGOs and CSOs, thus weakening them.

2.2 Implementing the Paris Declaration

Declaration aims and challenges

The central thesis of the Paris Declaration is that partner countries should increasingly offer credible plans, policies, laws and budgets, and reliable institutions, procurement arrangements and public financial management (PFM) systems, through which aid can be delivered in line with their own priorities, and that donors should increasingly make use of them. The Declaration ideal would be for support to be given directly to the government budget (i.e. as GBS) or else to a government-defined sectoral programme and delivered through the government budget by a government institution (i.e. as a SWAp). There would then be joint monitoring and evaluation of performance against agreed indicators of impact, according to the aims of cooperation (e.g. poverty reduction, achieving the Millennium Development Goals). In practice, however, there

are issues of credibility, reliability and priority that constrain progress in Declaration terms, and there has tended to be a worldwide reduction in Declaration compliance since 2008 after an increase in 2005-2007.

In **Nepal**, the donor community, including Finland, continues to resist committing itself to a wholly programmatic approach, mainly because of serious and widespread corruption and associated fiduciary risk. Progress has nevertheless been made, and after years of cooperation there are highly-developed SWAps in the health sector (in which Finland does not participate), and the education sector, in which Finland does participate and where 95 percent of donor funding now flows through PFM systems. There is also increasing attention to investments with shared responsibility, as indicated by Finland's support to incipient SWAps in the WASH and forestry sectors.

In **Nicaragua**, the use of GBS and the health/gender and rural development SWAps were in line with all Declaration principles both before and after 2007, as were the pre-2007 G/D and pre-2008 environment SWAps. Problems arose after 2007 because of Finnish decisions and principles which were at odds with government efforts to own the decentralisation, human rights, and NGO/CSO interventions. The Finnish policy resulting from this to cancel GBS, to reduce aid overall, and to spend a greater proportion through NGO and private partners was not in line with Declaration principles, but in practice sectoral budget support largely replaced GBS and the share of financing paid through government increased.

In **Tanzania**, Finnish participation in GBS (which has a positive impact on public spending in pro-poor sectors such as education and health), SWAps in the education and local government reform sectors (which tend to improve service delivery in poor rural areas), and attempts to establish a SWAp in the forest sector, all contributed to implementing the Declaration. The opposite effects were associated with subsequent Finnish withdrawal from the education SWAp (because of donor over-crowding), the failure of the forestry SWAp (because of weak PFM system capacity), the proliferation of project modalities by donors including Finland, and deterioration of consensus around good governance and anti-corruption measures linked to GBS conditions.

2.3 Promoting the cross-cutting themes

In **Nepal**, the CCTs have been mainstreamed in two key ways. In the area of PGHR, these CCTs were mainstreamed as a major focus of the whole country programme, a new dimension driven by the particular needs of Nepal following the end of the armed conflict in 2006. In the case of gender equity and social inclusion (GESI), they are embedded in the education SWAp and in the environmental and WASH interventions through deliberate GESI strategies. These address key issues internally (e.g. within the projects) and externally (e.g. within communities and institutions that are touched by the projects), and are based on understanding the practices, values and norms used to justify and rationalise discriminatory practices. They have raised awareness widely among stakeholders, and are seen by both central and local govern-

ment as good examples of how to put into effect the principles of inclusion that are expressed in their policies. In 2011, the LCF modality was also being used to support CSOs that work on caste exclusion and human rights among women and children.

In **Nicaragua**, gender equity, sexual and other health-related CCTs are fully integrated within the Finnish-supported health/gender SWAp, supplemented by sectoral projects and funds, and the rural development SWAp also has projects that emphasise gender. The other CCTs have since 2007 become the mainstream rather than merely being ‘mainstreamed’, with substantial Finnish resources going into democratic accountability, rule of law, human rights and gender equity. Before its closure, one of the themes of the LCF modality was to promote the rights of vulnerable groups (i.e. children, the elderly, the disabled, indigenous peoples and ethnic minorities), and its last grants supported CSO work on cultural values and the special needs of youth and women.

In **Tanzania**, the mainstreaming of CCTs has been attempted by building them into government-donor dialogue structures, by establishing thematic working groups on certain CCTs (in which Finland has been active), by Finnish efforts to raise them in the bilateral dialogue with Tanzania, by considering them in bilateral programmes and projects, and by making them key objectives of the LCF modality. Results on good governance and anti-corruption measures have been mixed, largely because government has been stressing the Paris Declaration principles instead. The LCF modality is where the CCTs are best taken into account, and where paying attention to them most strongly contributes to achieving development cooperation aims. Elsewhere in the country programme, the CCTs have been incorporated in the GBS reviews but the results in advancing them through GBS have been mixed. Otherwise, if addressed at all the CCTs are treated as issues of peripheral rather than central importance, and impact is accordingly limited.

2.4 Putting policy into practice

In **all three countries**, programming is done jointly by the embassy and MFA country team, but it is the embassy that takes lead responsibility for identifying and planning interventions, contracting consultants to support this, and for routine monitoring and reporting. The 2008 attempt to establish a joint Country Assistance Plan (CAP) had rather limited influence, however. In **Nepal** this was because the CAP simply articulated the on-going programme based on the 2007 bilateral consultations. In **Nicaragua** it was because although the CAP confirmed the main parts of the programme, one of the SWAps and GBS (which it assessed particularly positively) fell victim to political tensions and were closed down. In **Tanzania** it was because the CAP was set aside by the MFA in favour of other programming processes.

Thus in **all three countries** the selection of priorities and modalities resulted less from planning than from the net effects of various influences, including: opportunities identified by the embassy to collaborate with other donors or fill gaps in their cov-

erage, needs expressed by government, directions suggested by the Paris Declaration (e.g. in favour of SWApS), the Finnish development policies (e.g. in favour of forestry) and government plans (which are often either country-specific or very generic), the desire to continue with long-term development relationships (e.g. in particular regions or provinces), the particular circumstances of the country (e.g. in emerging from prolonged conflict in **Nepal**, from one form of political leadership in **Nicaragua**, or from an agrarian economic system in **Tanzania**), and the personal preferences of decision makers in the MFA, embassy or government. In **all three countries**, however, the embassy staff were notably able to adapt to challenges and make use of opportunities while remaining true to professional values, even though at times embassy staff opinions were ignored and they and MFA country team members were re-assigned in ways that led to the loss of institutional memory. There also appeared to be insufficient or unclear guidance from the MFA on how to mainstream the CCTs, apply the Paris Declaration principles and address climate change issues in the programming process.

Meanwhile, Finnish added value (FAV) was mainly expressed in the form of special interests based on values associated with perennial Finnish concerns such as in governance, equity, health, rights, poverty and civil society empowerment, which animate elements of the country programmes, as well as a distinctive persistence in pursuing aims under challenging circumstances. Also relevant are certain technical areas where Finnish actors can claim to have a special ability to contribute, including multilingual and vocational education, forest inventory, data management and mapping, information and communication technology, clean technology, water supply, GESI strategies, and facilitation of multi-stakeholder dialogue for diverse purposes. On the other hand, different interpretations of FAV have been used to justify things, such as project proliferation in **Tanzania**, that seem unwise in retrospect. Thus the concept of FAV has some value in helping to explain the patterns that are seen in the country programmes, but it should not be used as a driver of decisions.

2.5 Successes and failures

In **all three countries**, the Finnish role in donor coordination suggests itself as a best practice. In **Nepal**, successes include the deployment of relatively small financial contributions to obtain maximum leverage and influence in multiple forums in the PGHR area and in the Education Development Partners' Group. The GESI strategies prepared and implemented through the WASH and environment sector projects are widely viewed as best practices that have influenced government policies and the programmes of other donors, as have the WASH projects themselves. In **Nicaragua**, successes include the health/gender and rural development SWApS and their institutionalisation within appropriate government agencies, while maintaining an ability to explore and test new and additional ideas through innovative or strategic projects. In **Tanzania**, successes include Finnish influence in the donor community that is exerted by having embassy personnel as chairs or co-chairs of the Development Partner Group and its various sectoral and thematic working groups. There is also the

best practice of partnership with the Food and Agriculture Organisation, which has given rise to a national forest inventory that has potential for long-term impact in areas such as decentralised natural resources management, forestry and climate change.

In **all three countries** there seemed to be a lack of strategic ambition to work with other donors in building consensus with government to address key strategic factors that have the potential to undermine all other accomplishments, especially environmental ones such as climate change. In **Nepal**, there are strong and diverse opinions among observers on what might be failures (e.g. for and against the forestry and environment projects), but this evaluation found nothing that could be described as a failure or worst practice, and only the potential for problematic outcomes in certain circumstances. In **Nicaragua**, there is a cluster of connected worst practices, involving: the long pause in country consultations before and after the failure to achieve agreement in the 2009 session, when the key need was for continual dialogue to build mutual understanding; the refocusing of the governance programme towards a provocative rights agenda, while simultaneously creating both aid dependency and political isolation among NGOs; and an apparent willingness by the embassy rightly or wrongly to be considered hostile to the Sandinist government. In **Tanzania**, several failures and worst practices flowed from the disordered programming process after 2007, including: the weak quality of dialogue and decision-making around interventions in Mtwara, Lindi and Zanzibar; and the ways in which the Sustainable Development/Uongozi Institute and the electricity supply project in Dar es Salaam were approved for funding.

3 CONCLUSIONS

The evaluation drew the following conclusions:

- Embassy staff were notably able to adapt to challenges and make use of opportunities while remaining true to professional values, although the selection of priorities and modalities in the country programmes resulted less from planning than from the net effects of various influences, including:
 - opportunities identified by the embassy to collaborate with other donors or fill gaps in their coverage (in **all three countries**);
 - needs expressed by government (especially in **Nepal**);
 - directions suggested by the Paris Declaration (especially in **Tanzania**);
 - directions suggested by the Finnish development policies (especially the 2007 policy in Nepal, and the 2004 policy in **Nicaragua**);
 - directions suggested by government plans (especially in **Tanzania**);
 - the desire to continue with long-term development relationships in particular locations (in **all three countries**);

- changes to the special circumstances of the country (especially in **Nepal** and **Nicaragua**); and
 - the personal preferences of decision makers in the MFA (especially in **Tanzania**), embassy (especially in **Nicaragua**) or government (especially in **Tanzania**).
- Lessons from success teach the value of:
 - making small but strategic and well-targetted contributions to multi-donor enterprises and combining them with the energy and competence needed to obtain respect and influence;
 - using well-formulated strategies for promoting participation, inclusion and equity in all contexts;
 - being willing to participate with government and donors in serious, long-term sectoral programmes; and
 - being able to preserve a complementary role for innovative and strategic technical experiments and partnerships that sometimes yield game-changing outcomes.
 - Lessons from failure teach the need to:
 - actively build agreement with government that strategic issues should be addressed;
 - maintain active dialogue with government especially at difficult times;
 - understand the consequences of supporting civil society groups that may be seen as competing with government;
 - maintain at all times the role of critical friend, partner and counsellor of government; and
 - ensure that programming is always based on rigorous, transparent analysis and collective decision making.

4 RECOMMENDATIONS

1. **Multi-donor mechanisms.** Multi-donor mechanisms should be seen as containing opportunities for participation that disproportionately favour Finnish capabilities, and that can leverage influence over key processes to collective benefit and at least cost to Finland.
2. **Cross-cutting themes.** Country strategies should be developed by the embassy and MFA country team, identifying key CCTs and means to address them in each case. Clear, practical guidelines on how to mainstream the CCTs should be developed in dialogue between MFA and embassy teams.
3. **Paris Declaration.** Clear operational guidelines for applying the Paris Declaration across country programmes should be developed in dialogue between MFA and embassy teams.

4. **Finnish added value.** The FAV criterion should be used very cautiously in making policies and decisions, and if it is considered in any context it should be clearly defined in that context.
5. **Embassy operations.** Opportunities should be sought by embassy personnel to develop and maintain close links with government officials, and particularly with the Ministry of Finance because of its convening power. Staff changes at embassies should deliberately be staggered to avoid excessive loss of country experience and institutional memory, especially when political conditions are turbulent. Options should be considered for minimising personal bias in reporting by embassies, such as introducing greater collective responsibility for all parts of all reports, or allowing minority reporting by embassy personnel.
6. **Country programming.** Country programming should be based on rigorous and transparent analysis and collective decision making, guidelines to this effect should be issued, and these principles should be written into division of labour agreements with embassies.
7. **MFA operations.** Options should be explored to reduce staff turnover rates in MFA country teams, such as minimum terms of appointment to key positions, and the use of long-term consultants with contractual penalty clauses to deter early departure.
8. **Civil society support.** The LCF modality should be revalidated as a primary way to support civil society, and should be as inclusive and fine-grained as possible even if this adds to management costs at the embassy. Civil society should never be supported as a substitute for government, problems with government should be addressed through adequate dialogue, and the risks of creating aid dependency and vulnerability in civil society organisations should be appreciated.
9. **Country dialogue.** Consultations should be held at least every two years and more often still after a regime change in a partner government, when they should be supported by new evaluations of the political economy of the country concerned.

SOURCES OF INFORMATION

Caldecott J, van Sluijs F, Aguilar B & Lounela A 2012 *Evaluation of the country programme between Finland and Nicaragua*. Evaluation report 2012:1. Ministry for Foreign Affairs of Finland, Kopijyvä Oy, Jyväskylä, 103 p. ISBN 978-851-724-983-6 (printed).

Caldecott J, Hawkes M, Bajracharya B & Lounela A 2012 *Evaluation of the country programme between Finland and Nepal*. Evaluation report 2012:2. Ministry for Foreign Affairs of Finland, Kopijyvä Oy, Jyväskylä, 107 p. ISBN 978-951-724-987-4 (printed).

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