

Evaluation of Finland's International Climate Finance 2016-2022 – NAOF's remarks

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NAOF's Strategy for 2019-2023:

The duties of the NAOF include **securing Parliament's ability to use its budgetary powers** and ensuring that central government finances are managed in a lawful, **transparent** and **effective** manner.



Evaluation findings vis-à-vis

NAOF's main observations and recommendations

=> follow-up audit, spring 2024

Finland's international
climate finance
- Steering and
effectiveness



6/2021

1.

MFA should draw up a public plan for climate finance, justifying the choices, priorities and influencing objectives

Development Policy Committee (2022):

“A clear, parliamentary plan extending over several government terms must be drawn up”

FINLAND'S CLIMATE FINANCING NEEDS A CLEAR DIRECTION

Development Policy Committee Analysis,
January 2022

“The Action Plan for Finland’s Public International Climate Finance

- ...is primarily a reflection of ongoing activity, rather than a statement of targets or allocation priorities.”
 - “The climate finance portfolio is to a great extent a selection of interventions that are brought together for the purposes of financial and environmental reporting rather than the result of a strategy.”
 - “[There is still] a lack of overall strategy, theory of change and results framework.”
- => “The MFA should develop a clearer strategy for its overall climate finance.”**



To plan,

“Each instrument used to deliver climate finance offers its own benefits (strengths), constraints (weaknesses), and **trade-offs**.”

“...**prioritise** objectives ... **maximise the value** of those that are most suitable (for the prioritised objectives).”

“These instruments do not currently work as a **coherent** whole, and it is difficult to identify the **synergies** between different instruments, or how choices are made in terms of their relative **effectiveness** and potential added value.”

“Finland is not regarded as **innovative** in the climate space.”

Adobe Stock | #363452709



Climate
Finance
Strategy
?

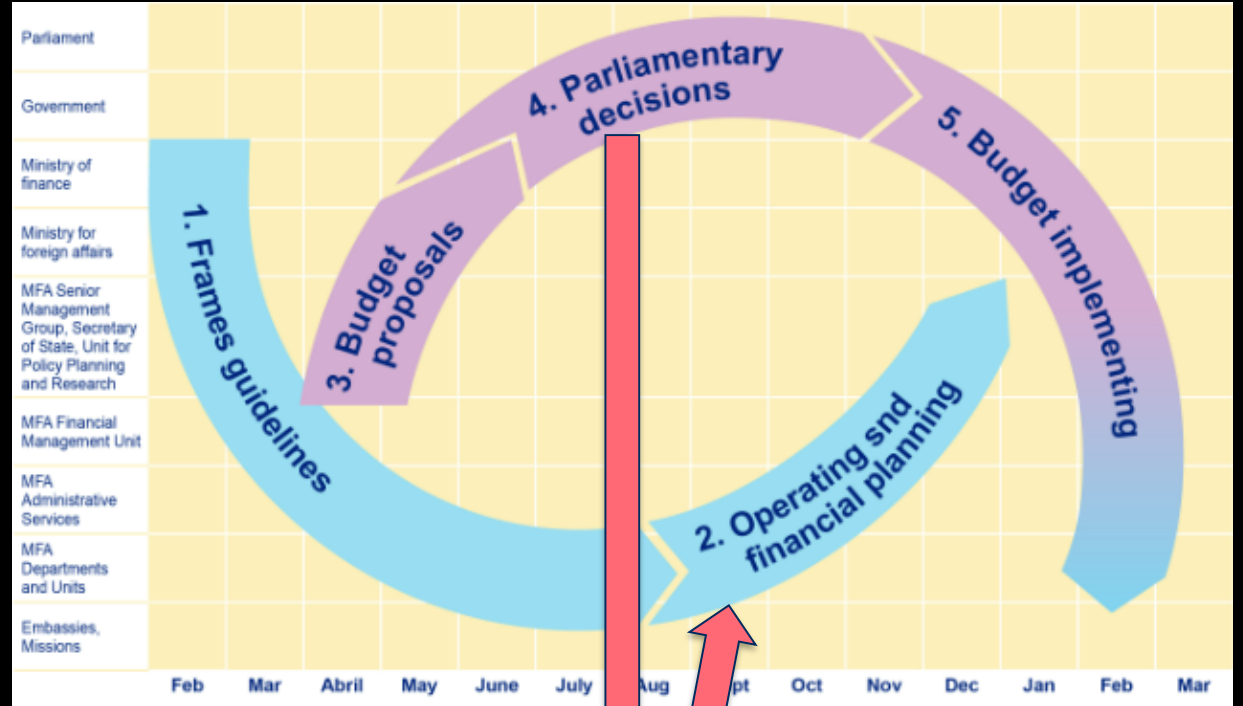
or not to plan, that is the question

“Despite the lack of a strategic framework, programming and funding allocation has been **broadly coherent and sensible**.”

“The MFA has created a portfolio of interventions that has **contributed broadly to global climate objectives**, and which responds to the range of expectations of different Finnish stakeholders.”

Report on Development Policy Across Parliamentary Terms

Ministry for Foreign Affairs of Finland



2.

MFA should develop its operational planning and decision-making related to climate finance

- **Justifications for climate finance decisions to be based on climate benefits**
- **Climate objectives (targets) and indicators to be included in the result frameworks (both portfolio and project levels)**
- **Guidance and Checklist in the Manual for Bilateral Programmes to be up-dated**

Examples of evaluation findings

Progress

- Improved presence of climate finance in country strategies and sectoral approaches
- Improving guidance for mainstreaming
- Increasing use of climate indicators

Remaining challenges

- Climate often not explicitly referenced
- Guidance relatively weak
- Indicators not always well structured to assess progress or impact
- Result frameworks do not always contain specific climate related indicators
- Challenges around targets and theories of change for adaptation
- Lack of transparency around the allocation of funds to multilaterals [...] lack of transparency and disclosure on the use of blended finance

3.

MFA should improve the monitoring, reporting and evaluation related to climate finance

- **Justified statistical recording of climate finance**
- **Recording of climate outcomes in the case management system (AHA-KYT)**
- **Climate results into synthesis and results reports of each financial instrument**
- **Climate results into Development Policy Result Reports, etc.**
- **Evaluation of climate results (project specific & larger scale)**

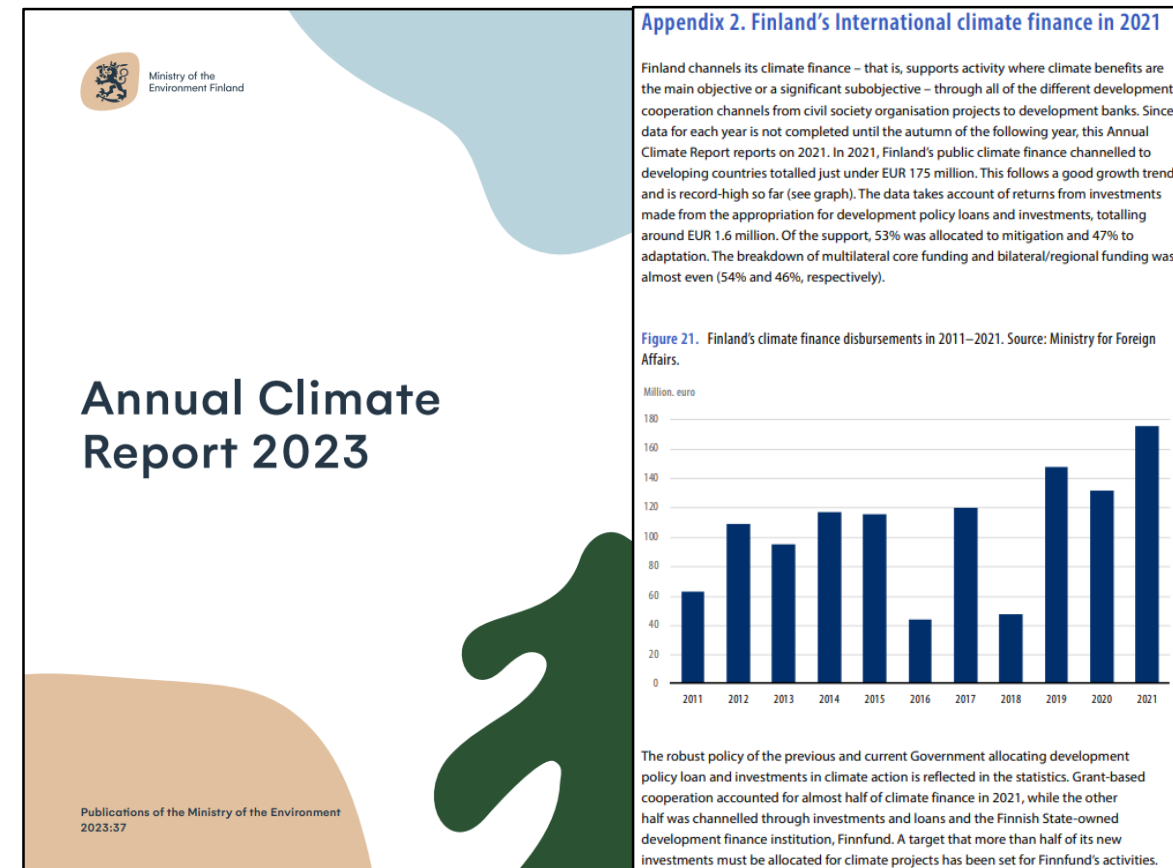
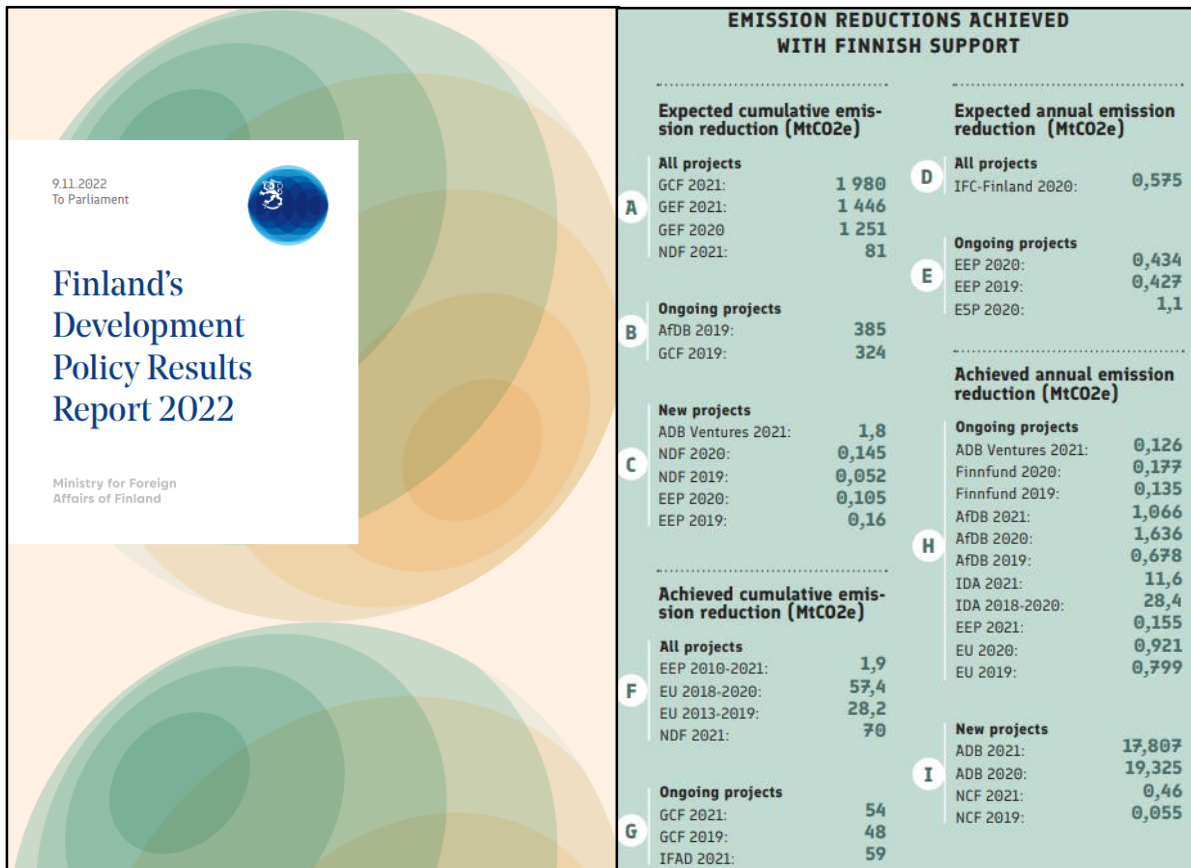
**"THIS EVALU-
ATION IS ONE...**

**GIANT
LEAP FOR
MANKIND™**



=> Information for reporting on Finland's climate finance

- More financial, distribution, allocation and climate result/impact/outcome information on mitigation and adaptation (incl. discussion on transformational changes)
- Examples of improved practices: "cleaning" of 2022 portfolio data, Rio Marker classification and quality assurance, early efforts to report thematically, etc.



Examples of remaining challenges:

- Considerable time and **manual effort** spent to collect and aggregate data for reporting
- **Inconsistent** reporting of results
- Climate reporting **not always well suited** to measuring or monitoring impact
- **Weakness in ex-post monitoring** => difficult to capture evidence on actual impacts
- Transformational impacts **poorly articulated**
- **Only a few** interventions undergone a thorough evaluation of their impacts
- Challenges in collating and **synthesising results** across the instruments

Issues deserving further discussion:

- **Use of the MFA case management system (AHA-KYT)**
- **Use of instrument-specific synthesis reports**

4.

MFA should improve the organisation of climate finance steering

- **Balance of tasks and human resources**
- **Quality assurance of climate finance**
- **Thematic leadership and coordination (climate theme)**

Examples of evaluation findings:

- Multiple actors engaging on climate-related issues, with **challenges in coordination**
- **Limited collaboration** between different institutions and instruments at the national level
- **Internal resources have grown**, but **capacity issues remain**
- **Regular staff rotation** => weak institutional memory and accumulation of expertise

Examples of proposals:

- **Support from the Finnish research and academic community**
- **Whole-of-government approach**

Thank



You!