

INSTITUTIONAL COOPERATION INSTRUMENT – ICI
Manual

Version 9

March 2023

Ministry for Foreign Affairs, Finland

The annexes and templates are available in a separate document.

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The annexes and templates are available in a separate document.

See also supplementary guidelines

[Results-based Management in Finland's Development Cooperation](#)

[Human Rights Based approach in Finland's Development Cooperation](#)

[Guideline for the cross-cutting objectives in Finnish development policy and cooperation](#)

NEW ELEMENTS IN THE MANUAL VERSION 9

This updated version includes minor changes to the previous version (i.e. version 8, dated March 2021). Some changes aim to increase flexibility in project implementation. The main changes are:

- Brief summary of the ICI as a financing instrument (Summary in this Manual)
- Updated description of the ICI (Manual section 2)
- Risk assessment table, and related guidance, included (see Annex 1.4.)
- MOU is 'recommended practice' (previously mandatory) and can be replaced by exchange of letters (Manual section 7.3 and annex 2.2.)

- Update in the financial regulation:
 - Budget line for capacity building should be minimum 60 % (previously 70 %)
 - The costs of the partner agency are minimum 20 percent of the project budget (travel costs, admin costs, fixed assets, half of contingency) (previously 25 %)
 - Contingency is max 15 % of project budget (previously 10 %).

- Updates in the format for Annual Plan and needed attachments (Annex 3.2)
- Updates in the formats for Semi-Annual Report (and needed attachments) and financial report (Annexes 3.6 and 3.7)

- Cross-cutting objectives updated.

- Larger projects (over one million) are allowed when two or more Finnish government agencies jointly launch the project. One agency is always the official lead agency. In the budget, the other Finnish government agency can be included under the same budget headings A1 to A5 instead of A8.

These changes are applied from May 2023 onwards for new projects (date for financing decision for a new project). The older projects are also expected to apply the changes whenever possible.

SUMMARY

Roles and responsibilities

Institutional Cooperation Instrument is the form of development cooperation where Finnish government agency manages a capacity building project with its partner (sister) organization in the developing country. Capacity building means training, utilising new tools, and exchanging experiences on the ways of working and organizational set-ups.

The starting point of the project is mutual respect and joint activities.

The MFA emphasizes that certain Finnish values, principles and objectives like gender equality should be advanced in all ICI projects. Strict rules against sexual exploitation, abuse and harassment (SEAH) are applied.

MFA provides financing with the following terms:

- Project Document describing the whole project needs to suit to the country-specific priorities of the Regional Department within the MFA, as well as the Quality Assurance Board which analyses the compatibility of the project with Finnish development policy, as well as its effectiveness.
- Project planning takes usually some 3-9 months. MFA provides 50.000 € for the planning costs.
- Regional Department provides financing for 2-4 years. Financing is normally between 0,5-1.0 million euros.
- If project is successful, the Regional Department may consider continuation. In that case, a new Project Document needs to pass the same steps.

Finnish government agency is not expected to finance the project. However, the government agencies need to make adjustments within their own personnel and financial resources to make the ICI-project possible and, in practice, their contribution tends to reach well beyond the project budget.

Finnish government agency is responsible for the use of funds based on Finnish legislation. The partner organization has only limited responsibilities in project management. However, its role in shaping the project – based on its own needs and priorities – is absolutely essential. Otherwise, the project is likely to fail.

ICI-consultant is a service function between Finnish government agencies and the MFA. ICI-consultant (usually two experts from a consultant company) provides practical guidance for the government agencies in planning and implementation of the project.

The Department for Development Policy within MFA has two tasks: It leads the development of guidelines for ICI. It also houses a set of sectoral experts who provide technical support within the MFA.

The roles and tasks within the ICI project are described in section 2.4 below.

Legal basis and operational regulations

1. *The legal basis*

ICI financing to the government agencies is based on a law (laki valtion virastojen ja laitosten toiminnasta kehitysyhteistyössä). Other elements of the operation are guided by conventional existing legislation like procurement legislation. In addition, several government agencies are governed by a specific law designed to them.

Finnish development policy is used to direct financing to relevant issues and to emphasise specific values and ways of working. This ICI manual covers all the issues. The second part of the ICI manual includes the template and forms to be used during the project cycle. The templates and formats are available in word-format.

2. *The size and duration of a project*

The project financing is more flexible than before. MFA financing can be used for projects up to one million Euros. Larger projects can be made if the project covers several countries or if it includes cooperation between several Finnish government agencies. The duration of the project is up to four years.

3. *Planning funds*

The MFA provides more financing for the project planning and preparation to the Finnish agency. Financing can be up to 50.000 Euros.

4. *Project planning instructions*

Project planning instructions are provided in this manual. For results orientation, presenting expected results in specific table format (so called 'results-based management') is expected. Planning expected results goes hand in hand with risk analysis (so called 'risk management table')

Specific values and priorities of the Finnish development policy (so called 'Human Rights Based Approach' and 'cross-cutting objectives') are applied in all projects. While a minimum standard is applied on all in accordance with the "do no harm" principle, their specific application varies from one project to another, depending upon the context and the project layout.

Certain regulations govern acceptable project budget. They are based on the following principles:

- Budget is presented in a pre-defined format of budget lines.
- The project needs to focus on capacity building. The procurement of goods should have a minor roles.
- The partner agency needs to benefit financially from the project.

5. *Costs related to Finnish experts*

The ICI projects consist of official performances the prices of which shall be decided on commercial criteria in accordance with paragraph 1 of Section 7 of the Act on Criteria for Charges Payable to the State (maksuperustelaki 150/1992), unless otherwise provided for in the laws governing the Finnish government agency in question. In case of unclarity, the Regional Department of MFA shall consult the financial management (or the equivalent) of the Finnish government agency in question on how to charge for the ICI projects.

6. Avoidance of unfair competition with the private sector

ICI projects are agreed by the MFA without price competition. The Finnish agency needs to ensure in the Concept Note and in the Project Document that there are no private companies that could manage the project or carry out the proposed activities in the same scope of tasks. The MFA will check that unfair competition does not occur.

7. Launching of the project: inception phase

Details of the project can be further negotiated and defined during the first months of the project between the Finnish agency and partner country agency. This initial phase is called inception phase.

8. Flexibility in project implementation: updating the activities and the budget

Project implementation needs to be adjusted to the changing circumstances and changing needs in the partner organisation. Project implementation is flexible, as long as the main expected results (so called 'impact and 'outcome') are maintained unchanged.

Changes up to five percent of the total budget can be made between the four main budget lines, provided that the other regulations are not violated (min. 60 % for capacity building, max. 15 % for outsourcing, e.g. companies, universities or NGOs, min. 20 % for the partner, max. 15 % for contingency). Changes within the main budget lines are made by the Project Board. Any changes which affect the expected impact or outcome of the project need to be first approved with the Regional Department of the MFA.

9. Monitoring, evaluation and learning

Reporting: Reporting guidelines reflect MFA's priorities: focus on working towards concrete results; taking the key values and priorities of the MFA into consideration; reporting on changes and the reasons for changes.

Self-assessment: A mechanism for self-assessment has been added. If no other progress or performance evaluation is planned, a self-assessment should be conducted at least once during the project implementation. It is a facilitated process and its main function is steering and mutual learning between the two government agencies. Self-assessment also serves the purpose of accountability by providing valuable information on achieved results for the MFA and all stakeholders.

10. Publishing results

The Project Document should outline a plan for publishing results within the government agencies and for wider audience. Visibility of Finland as a country of high-level expertise and as a reliable partner is important.

Schedule from project idea to project completion

The following table provides an overview of the schedule of the various steps

Task	Duration
From idea to proposal to the MFA; discussions with the partner and first consultation with MFA	2-6 months
MFA assessment and decision to go-ahead with planning; possible grant for planning work	1-2 months
Planning task with the partner; consultation with the ICI-consultant	2-6 months
MFA assessment and financing decision; assignment contract with Finnish agency	1-3 months
Implementation	2-4 years
Completion reporting	

1. INTRODUCTION

1.1. The Purpose of the Manual

This manual has been prepared for the government employees in Finland and in partner countries who plan and implement Institutional Cooperation Projects (ICI). It also supports the MFA officers in managing the projects properly.

This manual provides main instructions for managing ICI projects:

- Chapter 2 is an overall description of ICI as a development cooperation instrument.
- Chapter 3 describes the development policy context of the projects.
- Chapters 4-8 describe the project cycle from the preparation of a Project Concept Note and Project Document to project implementation and closing of the project.
- Chapter 9 describes the technical support available to the Finnish government agencies.

In the annexes there is a wide set of templates and instructions including the law guiding the ICI.

Instructions for ICI projects are also available on the website of the Ministry for Foreign Affairs of Finland:

In English: <https://um.fi/support-for-government-agencies>

In Finnish: <https://um.fi/rahoitus-valtion-laitosten-kehitysyhteistyohon>

Please note that the manual refers to other instructions of the MFA such as results-based management instructions. Revisions to these may be made separately in a different schedule. The websites mentioned above include links to the updated versions.

1.2. Terms Used in the Manual

Institutional Cooperation Instrument (ICI): A financing instrument for development cooperation between a Finnish specialized government agency and a developing country government agency. Projects which focus on capacity building and organizational development of public institutions in developing countries are eligible for funding.

Ministry for Foreign Affairs of Finland (MFA): Agency responsible for financing an ICI project and for ensuring the adherence to Finland's development policy including its quality standards and principles.

Finnish agency: Finnish specialized government agency, which has expertise in a limited field. Agency has a function within the Finnish government administration. Its staff consists of highly specialized experts.

Partner country agency: Government agency in the developing country responsible for the project.

Cross-cutting objectives: The project needs to ensure that it supports the cross-cutting objectives of Finland's development policy: 1) gender equality, 2) non-discrimination with an emphasis on disability inclusion, 3) climate resilience, 4) low emission development and 5) protection of the environment with an emphasis on safeguarding biodiversity. The cross-cutting objectives are implemented as a continuum to the human rights based approach.

Human Rights Based Approach (HRBA): Finland applies a human rights based approach to all of its development interventions. This means that, at minimum, all interventions financed by Finland should have undertaken a human rights assessment to ensure that these interventions do not contribute to further harm or discrimination when it comes to realizing human rights. In addition, all interventions should ensure that the human rights principles (non-discrimination and equality; participation and inclusion; transparency; and accountability) are systematically reflected in the project planning, implementation, monitoring and evaluation. Beyond the minimum level, HRBA expects that the project's anticipated development result aims for a concrete improvement in the realization of a certain human right (or several rights) and that the expected outcomes increase the capacity of the duty-bearers to fulfill their obligations or the rights-holders to claim their rights. Disaggregated data (by sex, disability and age) should be used where possible.

Project cycle: The whole process from the initial idea of a project to its closure. The project cycle has usually the length of 3-5 years. If a project has achieved its foreseen results but further cooperation would be beneficial, a new project can be proposed as a continuation. The new continuation project needs to go through the same decision making and financing procedures.

Monitoring, evaluation and learning plan (MEL): The MEL plan is a tool for the project partners to plan and schedule what kind of evidence and M&E activities are needed to reach planned project results. It describes how M&E activities are resourced, how the results are used and reported.

Self-evaluation means conducting a workshop with the project partners during which the merits and challenges of the project are openly discussed. Self-evaluation is usually conducted towards the end of the second year of project implementation.

2. AN OVERVIEW OF THE INSTITUTIONAL COOPERATION INSTRUMENT

This manual is meant to provide guidelines for ICI implementing agencies and also to serve as an easy gateway to relevant legislation and other background documentation.

2.1. The Objective of ICI: Capacity Building

Institutional Cooperation Instrument is a financing mechanism of the MFA of Finland for very special type of projects:

- Cooperation between two **specialised government agencies working in the same field of expertise**: one from Finland and one from a developing country.
- Focus on **capacity building**. This means not only training but also changes in organizational, operational and administrative practices.
- Focus on dialogue. In order to avoid top-down approaches, all ideas and proposed changes are discussed thoroughly before implementing. All measures are taken to ensure that the **ownership and commitment** of the partner agency is strong.

Well-performing public sector organisations that provide relevant and satisfactory services for the citizens are at the heart of the operation of any state. Public sector organisations are tremendously important for the developing countries in tackling the various development challenges. However, creating lasting changes in public sector organisations is one of the most demanding challenges in development cooperation.

Capacity development activities have often failed to yield the planned results because capacity development has been treated as a technical process of transferring “right answers” without fully appreciating the importance of the partner country’s and organisation’s ownership. All organisations operate in their specific contexts and their performance is influenced by external and internal factors, including formal and informal rules, norms and procedures observed by organisations as well as national laws, policies, procedures and mechanisms that have been set up to make the fundamental rights a reality.

Capacity development is an endogenous process in which donors can play a supporting role but cannot or must not seize the process. Therefore, ensuring ownership of the partner organisation is the key to success in the ICI capacity development projects.

Cooperation between Finnish and partner countries' public sector organisations has featured in Finnish development cooperation for several years. It has, however, been used in a sporadic rather than systematic way. Finland's current Development Policy is based on the 2030 Agenda. It calls for breaking silos as well as innovative utilisation of Finnish expertise in development cooperation. The objective of the Institutional Cooperation Instrument is to strengthen the capacity of public sector institutions in partner countries by utilising the expertise that can be found in the Finnish public sector. The idea is that mutual learning and strengthening of capacities can be best

enhanced with the help of colleagues - civil servants from a respective organisation with similar tasks and responsibilities. The ICI provides an easy channel and means for public sector organisations in Finland and in partner countries to cooperate. A phased and supported project preparation process is meant to ensure both relevant and effective cooperation.

2.2. The Eligible Finnish and Partner Country Agencies

The eligible organisations **in Finland** are government agencies (valtion virastot ja laitokset) that belong to the same legal person, namely the government of Finland. Corporations owned by the government are not eligible. The listing of these agencies can be found through the following link:

<https://www.valtiokonttori.fi/palvelut/julkishallinnon-palvelut/maaraykset-ja-ohjeet/>

Finnish government agency do vary from each other in terms of their legal statures. In case the eligibility of the Finnish agency is not known, the Regional Department will check the issue from the relevant Finnish sector ministry. Regional Department may also request further advice from the lawyer of the MFA, Department for Development Policy (KEO-80).

Even if the Finnish agency were eligible for managing the project, the substance of the project needs to pass one specific rule: the government of Finland is not keen on supporting project ideas which could be implemented by private companies. In order to avoid undue competition, the Finnish agency needs to describe already in the Project Concept Note whether the Finnish government agency provides special expertise that the private companies do not possess to manage the project or carry out the proposed activities. The MFA (Regional Department) will assess this issue when it assesses the Project Concept Note. In case the MFA (Regional Department) cannot solve the issue, the MFA seeks guidance from the relevant Finnish sector ministry.

In partner country the eligible institutions include public sector agencies, including research institutions. Associations, foundations and networks are not eligible.

The Institutional Cooperation Instrument (ICI) is governed by Act on the Participation of Governmental Authorities and Agencies in Development Co-operation (1989/382) which can be found in the annex 4.1. of this manual.

2.3. Main Characteristics of the ICI Projects

The ICI can be used to finance a variety of **ODA-eligible** capacity development projects. The main requirements are that the activities are clearly based on a partner organisation's demand with evidence of strong ownership of the project and cooperation, and that the cooperation is results-oriented with well-defined, measurable objectives.

The ICI project is based on the initiative, demand and identified needs for capacity development in a partner country agency, and it must be in line with the Finnish development policy. The various capacity development activities may aim at improving service delivery, developing new services or forms of service delivery, organisational development, revision of working procedures, improving know-how and skills,

networking and internationalisation. To ensure that the expected results contribute to the improvement in the realization of key human rights, it is crucial that the international human rights standard, which the state has committed itself to, are used as minimum standards in the development of national laws, policies and institutions in charge of provision of basic social services.

The cooperation needs to be results-oriented with clearly defined and interlinked activities, outputs, outcome and impact. The partner agency must play a decisive role in defining the specific activities, outputs, outcome and impact of the cooperation and the indicators with which progress of cooperation is measured. It must be possible to present the results orientation of the projects using results-based management which combines the results orientation at planning phase to the results orientation during the project implementation.

The ICI project may support and complement existing cooperation between the partner organisation and Finland or any other donor. In these cases, the linkages between the proposed ICI project and other cooperation need to be clearly presented.

Project implementation should span at **least twelve months and maximum 48 months**. The budget should be **maximum one million euros**. The budget may however, be higher if the project e.g. promotes regional thematic cooperation between neighbouring countries. Also larger projects are allowed when two or more Finnish government agencies jointly launch the project.

The ICI project is based on cooperation between civil servants of two agencies. Consequently, **outsourcing or subcontracting** implementation of project activities can only amount to a small share (**max. 15%**) of the total project costs.

Due attention must be paid to the cooperation modalities. In the beginning, sufficient resources should be allocated to enable establishment of good mutual relations. At a later stage, the use of modern communication technologies, such as virtual meetings, is encouraged to ensure regular and continued interaction. Limiting cooperation to technical and non-political issues is advisable. The inclusion of junior experts in the project team promotes capacity building both in Finland and in the partner country.

Finland's current or previous main partner countries are prioritised in the ICI. Other developing countries where Finland has an Embassy are also supported. If the proposed project concerns a country where Finland does not have an Embassy, the MFA needs to critically analyse the value-added of the project and the capacity of the MFA to monitor the project.

2.4. ICI Actors and Process

The ICI involves six actors with different roles.

1. The **Department for Development Policy in the MFA** of Finland oversees the utilisation of the ICI as a financing instrument. It has the task of guiding the *ICI as an instrument of development cooperation* with relevant and appropriate management documents and instructions.

2. **Regional Department of the MFA** allocates financing for the project. Project level management in the MFA is handled by the Regional Departments responsible for assessing, approving, financing and monitoring of ICI projects.
3. **Finnish Embassy** supports the Regional Department especially in assessing the Project Concept Notes and Project Documents.
4. Responsibility for the project implementation is borne by the **Finnish agency**, which in cooperation with the partner country agency, ensures implementation of the project in accordance with the approved Project Document and provides expertise and support to the planned capacity development activities in the partner country agency.
5. The **partner country agency** has the final responsibility for the capacity development and, as the ultimate owner of the project objectives and activities, has a crucial role in ensuring that the project is relevant regarding the needs, and that the objectives and activities of the project are appropriate.
6. The **Facilitation Consultant**¹ (a consulting company contracted by MFA/Department for Development Policy to support all ICI projects) supports the MFA in ensuring that the projects and project documentation meet the normative and qualitative requirements set for ICI projects and development cooperation in general. The Facilitation Consultant also provides support services to the Finnish agency in project planning and implementation.

The different phases of ICI implementation and the respective roles of various actors are described in the following table.

PHASE	WHO DOES WHAT?
Project idea: reparation and assessment of the Project Concept Note	Partner country agency: <ul style="list-style-type: none"> • Establishes initial contact with the Finnish agency. • Prepares the Project Concept Note with the Finnish agency in accordance with the ICI manual. • Submits the Concept Note to the relevant MFA Department jointly with Finnish government agency.
	Finnish agency: <ul style="list-style-type: none"> • Establishes initial contact with the partner country agency. • Prepares the Project Concept Note with partner country agency. • Submits the Concept Note to the relevant MFA Department.
	MFA Regional Departments: <ul style="list-style-type: none"> • Assess Concept Notes against established criteria. <ul style="list-style-type: none"> ○ May request for additional information. • Inform Finnish and partner country agencies on the decision in writing. • In case of positive decision, inform the Facilitation Consultant about approval of the Project Concept Note and provide relevant documentation for the next steps.

¹ Currently the facilitation consultants are provided by Niras Finland

	<p>MFA Embassies:</p> <ul style="list-style-type: none"> • Support matchmaking between partner country and Finnish agencies. • Provide comments on the proposals to the Regional Departments.
<p>Project planning: preparation and assessment of the Project Document</p>	<p>Finnish agency:</p> <ul style="list-style-type: none"> • In cooperation with the partner agency prepares the Project Document and relevant Appendices in accordance with the ICI manual. • Submits the signed Project Document with the required Appendices to the Facilitation Consultant for review.
	<p>Partner country agency:</p> <ul style="list-style-type: none"> • Participates actively in the Project Document preparation. • Commits to the cooperation at the institutional level.
	<p>MFA Regional Department:</p> <ul style="list-style-type: none"> • May provide funding for Project Document preparation • Assesses the Project Document against the established criteria. <ul style="list-style-type: none"> ◦ May request for additional information. • Informs the project partners on the financing decision in writing.
	<p>MFA Embassies:</p> <ul style="list-style-type: none"> • Provide comments on the proposals to the Regional Departments.
	<p>Facilitation Consultant:</p> <ul style="list-style-type: none"> • Supports the Finnish agency in Project Document preparation. • Checks the quality of the Project Document and ensures that it meets the requirements set by the MFA in the ICI manual before the Project Document is officially handed over to the Regional Department. •
<p>Financing decision by MFA</p>	<p>The Minister/MFA:</p> <ul style="list-style-type: none"> • Makes the decision on financing on the basis of the recommendation of the Quality Assurance Board of the MFA and the submission by the Regional Department of the MFA.
<p>Contracting and signing of agreements</p>	<p>MFA Regional Department:</p> <ul style="list-style-type: none"> • Prepares and signs the Assignment Contract with the Finnish agency.
	<p>Finnish agency:</p> <ul style="list-style-type: none"> • Signs the Assignment Contract with the MFA • Signs the letter on project cooperation or a MOU with the Partner Agency •
	<p>Partner country agency.</p> <ul style="list-style-type: none"> • Signs the letter on project cooperation or a MOU with the Finnish Agency. •

Project implementation: capacity building tasks and the follow-up tasks like reporting, monitoring and evaluation	Finnish agency: <ul style="list-style-type: none"> • Assumes responsibility for the implementation of the project. • In cooperation with the partner agency prepares project planning documents (e.g. annual plans and Terms of Reference for expert missions). • In cooperation with the partner agency prepares progress, completion and financial reports according to the Assignment Contract. • Sends the reports to the Facilitation Consultant for review. <ul style="list-style-type: none"> ○ Provides additional information if requested. • Ensures functioning of the project's decision-making arrangements. • Manages the implementation of self-assessment(s). • Invoices MFA Regional Department.
	Partner country agency: <ul style="list-style-type: none"> • Implements the project in accordance with the responsibilities and tasks defined in the Project Document and Memorandum of Understanding. • In cooperation with the Finnish agency prepares relevant planning documents (e.g. annual plans and Terms of Reference for expert missions). • In cooperation with the Finnish agency prepares progress and financial reports.
	Facilitation Consultant: <ul style="list-style-type: none"> • Supports the Finnish agency with advice on project inception and mobilisation. • Reviews and approves progress, financial and self-assessment reports to ensure that these meet the requirements set by the MFA in the ICI manual. • Forwards progress and financial reports to the relevant MFA Regional Department with comments.
	MFA Regional Department: <ul style="list-style-type: none"> • Reviews and approves progress, completion and financial reports. <ul style="list-style-type: none"> ○ May request for additional information. • Reviews and approves the self-assessment report(s) and monitors the implementation of the recommendations of the self-assessment. • Pays invoices. • Reports on the progress and achieved results of the ICI project(s) as a part of the annual country programme results report (if/when appropriate).
ICI instrument level: Preparing overall guidance and instructions relevant for all projects	MFA Department for Development Policy <ul style="list-style-type: none"> • Prepares background material and administrative instructions, and maintains the official ICI web page at https://um.fi/support-for-government-agencies.
	Facilitation Consultant: <ul style="list-style-type: none"> • Supports MFA in material production. • Provides training for Finnish agencies.

	<ul style="list-style-type: none"> • Maintains the practical ICI web page with Questions and Answers, examples of good practices and alike in the closed website managed by the Facilitation Consultant (link shared to MFA officers and Finnish agencies). • Invoices MFA Department for Development Policy.
	<p>MFA Regional Departments and Embassies</p> <ul style="list-style-type: none"> • Inform potential/interested state agencies in Finland and in partner countries. • Help agencies to familiarise themselves with the material available on the ICI web page.
	<p>Finnish and partner country agencies:</p> <ul style="list-style-type: none"> • Study available background material and the ICI manual. • Prepares the Project Concept Note with the partner country agency in accordance with the ICI manual. • Submits the Concept Note to the relevant MFA Department.
<p><i>ICI- instrument level: evaluating several projects and learning how to develop instructions</i></p>	<p>Facilitation Consultant:</p> <ul style="list-style-type: none"> • Reports on the overall progress of the ICI to the MFA Department for Development Policy as stated in the consultancy agreement. • Provides recommendations for improvements and possible revision of the ICI instrument including the ICI Manual.
	<p>MFA Department for Development Policy:</p> <ul style="list-style-type: none"> • Monitors the functioning of the ICI. • Makes revisions concerning administrative instructions and the ICI manual. • Monitors the work of the Facilitation Consultant.

2.5. How to Prepare an ICI Project

ICI projects preparation proceeds in two phases: Project Concept Note preparation phase and Project Document preparation phase.

The ICI process begins when the Finnish and development country agencies contact each other. The partner agency, in cooperation with the Finnish agency, prepares a **Project Concept Note**, which outlines the need for cooperation, preliminary objectives of the project, anticipated main results and activities, tentative duration and budget.

If the MFA approves the proposal, the partners are requested to prepare a **Project Document**, which is a more detailed description of the planned cooperation with objectives, result framework, activities, risk matrix and required resources. If the Project Document is approved, the project is ready for implementation.

More detailed information is available in section II of this manual. Utilised standard templates for both phases are found in a separate file called MFA ICI manual - Annexes and Templates.

3. FINNISH DEVELOPMENT POLICY

3.1. Development Policy Context

ICI projects are expected to be in line with the goals and principles of the [Finnish development policy](#) .

Development policy is based on best practices learnt over years. The important premises are

- ✓ mutual respect, openness and transparency;
- ✓ discussion, learning by doing, making adjustments when necessary;
- ✓ respect on human rights, emphasis on equality in opportunity.

3.2. Country Context

MFA has prepared country strategies and country programmes for several partner countries that guide the thematic priority setting and expected results of the cooperation in these countries. In order to get fully updated information on the country strategy and programme of a particular country, it is advisable to contact the MFA officer responsible for that country. Country specific information is also available in: <https://um.fi/bilateral-partner-countries>

3.3. Working for Results and Inclusiveness

MFA has guidance for working effectively towards results. Any project should have a defined 'expected result' which can be communicated in clear manner for all relevant stakeholders. If the expected result is abstract or blurred, it is difficult to implement the project as a joint task.

Results-based approach is used to define the hierarchy of expected results. The detailed guidance is available in publication [Results-based Management in Finland's Development Cooperation](#).

These guidelines should be studied closely, because the project needs to define its results using RBM framework.

Results are not well targeted and sustainable without integrating human rights considerations in the context analysis and human rights principles throughout the project cycle. This is a key element in Finnish development policy. The integration of human rights includes, for instance, consultation of all stakeholders, including those normally excluded, and taking the needs and views of all actors into consideration. The Guidance for **Human Rights Based Approach** is available publication [Human Rights Based approach in Finland's Development Cooperation](#).

The **cross-cutting objectives** of Finland's development policy are priority issues that should be considered when project results framework is prepared during the planning phase. The same issues are relevant also during the project implementation,

monitoring and reporting. For further information see [Guideline for the cross-cutting objectives in Finnish development policy and cooperation](#)

The cross-cutting objectives are:

- Gender Equality
- Non-discrimination, with an emphasis on disability inclusion
- Climate Resilience
- Low Emission Development
- Protection of the environment, with an emphasis on safeguarding biodiversity

Soft guidance and examples

Some of the guidelines may look less informative for the technical expert with high level of specialisation. However, the soft guidance (Questions and Answers, examples) of the Facilitation Consultant web-page provides some practical tools for utilising these principles and values even in most technically sophisticated projects. The link to the closed website (managed by the Facilitation Consultant) is shared with the relevant MFA officers and Finnish agencies.

PART II: PROJECT CYCLE

Project cycle is presented here as the following steps:

4. Applying for an ICI project and preparing a Concept Note
5. Project planning and preparing a Project Document
6. MFA financing decision.
7. Contractual arrangements
8. Project implementation

4. APPLYING FOR AN ICI PROJECT AND PREPARING A CONCEPT NOTE

4.1. Preparing a Concept Note

A template for the Project Concept Note with supporting questions is provided in annex 1.1.

A Project Concept Note is a short, **3-10 pages** long presentation of the project idea. It is prepared by the partner country agency in cooperation with the Finnish agency.

Steps for preparing a Concept Note:

- Initial discussion between the partner agency and the Finnish agency.
- Finnish agency discusses the initial project idea including the foreseen budgetary implications with the Regional Department of the MFA.
- Visit from Finland to the partner country and/or visit from partner country to Finland, initial need assessment.
- Drafting of the Concept Note.
- Signing of the Concept Note.

The costs related to the preparation of the Project Concept Note are covered by the Finnish government agency and partner country agency.

The Project Concept Note is co-signed and submitted to the Finnish Ministry for Foreign Affairs either:

- by email directly to the relevant Regional Department (country officer) in the MFA, or
- by post to Ministry for Foreign Affairs, Department for Development Policy, PO Box 26, 00023 Government, with the following phrase on the envelope "ICI application to the Regional Unit (name of the Unit)".

While preparing the Project Concept Note, it is important to bear in mind that although the proposal is of preliminary nature and not longer than a couple of pages, the need for cooperation and the project should be stated clearly. The MFA will pay special attention to the needs and ownership of the partner organisation.

Occasionally, the MFA may *open a call* for ICI projects related to specific countries. In such a case, information is made available in the MFA website www.um.fi.

4.2. MFA's Assessment of the Concept Note

The relevant Regional Department in the MFA is in charge of assessing the Concept Notes and selecting the best proposals for Project Document preparation phase.

The assessment includes two steps:

- a. Passing the minimum criteria,
- b. Assessing the quality of the Concept Note.

The **four minimum criteria** for the Concept Note are:

1. The proposed project is based on an identified need

It is essential that ICI projects are based on clearly defined needs. The developing country agency should give grounds for their need of cooperation and assistance from the Finnish agency. In assessing the proposals, the MFA will emphasize evidence of the partner agency's ownership of and commitment to the planned cooperation. This could be supported by reference to existing capacity development strategies, plans or policy papers. In case these documents are not available, the relevance of and alignment to the agency's strategic plans should be demonstrated through other means, for instance, needs assessment in previous/on-going projects supporting the partner agency.

Another indication of ownership is a clear identification of the immediate beneficiaries of the project as well as information about available resources (human and financial) the partner country agency has in its position to implement the project. The Concept Note should specify the administrative units that are responsible for the management of the project.

2. The proposed project focuses on capacity development

The project must strengthen the partner country agency's capacity in a sustainable manner and capacity development must be based on the agency's own plans and/or developmental goals.

3. The proposed project is in line with the Finnish development policy and makes use of the special expertise of the participating Finnish government agency

The ICI is a development cooperation instrument that is based on matching Finnish public sector know-how and the needs of the public sector in a developing country. The proposal should include a brief presentation of the capacity and specific expertise of the Finnish agency supported by, for instance, its Strategy for International Cooperation and a list of staff with previous experience of development cooperation or similar projects.

4. The size of the proposed project is suitable for the ICI

As a rule, the ICI should not be used for very small projects because of their low cost-efficiency. The project budget may range usually between **500.000 and 1.000 000** euros and the average duration is from **three to four years**. In certain situations, even larger projects may be considered.

In addition, the Regional Department of the MFA may have thematic or geographical priorities for ICI-funded projects. It is useful to contact the Desk Officer responsible for the partner country in the Regional Department in advance.

Concept Notes that meet the minimum criteria are **further assessed** by the MFA to understand their quality. The assessment of quality takes into consideration the following issues:

1. Evidence of the partner country agency's ownership of the expected results and project approach, including partner country agency's participation in the preparation of the Concept Note.
2. Account of concrete aspects that necessitate the project and its anticipated added value to the partner country agency.
3. Contribution to the objectives of the possible country strategy of the MFA with regard to the partner country as well as the complementarity of the project to other cooperation between Finland and the partner country (including Team Finland work, private sector and civil society support).
4. Availability of financial resources in the MFA Regional Department.

The MFA Regional Department makes the assessment as a desk study. Usually assessment also includes some discussions. The process of assessment is flexible and based on the needs in a specific setting.

4.3. Adoption of Project Proposal: the Launch of the Planning Phase

The relevant MFA Regional Unit will make an official decision on each proposal in writing. As the ICI is cooperation within the state administration in Finland, the decisions cannot be appealed. Before making their decision, the Regional Units ask comments from the Finnish Embassy in the country in question, especially regarding the relevance of the proposal.

If the MFA approves the Concept Note, it requests the project partners (partner country agency and Finnish government agency) to prepare a more detailed Project Document to serve as a basis for the Ministry's decision on financing.

The responsible Desk Officer in the MFA Regional Department will also inform the Facilitation Consultants of the approval of the Project Concept Note and requests the Facilitation Consultant to support the Finnish agency in the Project Document preparation.

While making the decision on the Project Concept Note, the MFA may also decide to support the planning phase financially by signing an assignment contract with the Finnish agency. The assignment contract (similar contract as during implementation phase, see annex 2.2) defines the objectives of the preparatory assignment, plus the possible conditions regarding the content of the project. Maximum support is 50.000 €.

5. PLANNING A PROJECT AND PREPARING A PROJECT DOCUMENT

5.1. What is a Project Document

The Project Document provides a detailed and easily comprehensible description of the project. The Project Document should not be longer than **20 pages and annexes**.

The template with supporting questions for preparing a Project Document is provided in annex 1.2.

A Project Document (including annexes) covers the following issues:

- results framework;
- risk assessment;
- Relevance to the Finnish development policy
- Monitoring, evaluation and learning plan including self-assessment;
- Project budget and tentative schedule;
- CVs of the key personnel;
- Draft MOU;
- Other relevant documents.

A Project Document will provide answers e.g. to the following questions:

- Why is the project necessary?
- What are the expected results (impact, outcome and outputs) of the project?
- What kind of activities are most likely needed to produce the outputs?
- What are the possible risks that might concern the project?
- What kind of human resources and timeframe are suitable to achieve the results?
- How is the progress monitored and evaluated during the implementation?
- How are decisions made regarding project implementation?

The Project Document should show that the Finnish agency

- has relevant expertise,
- is not planning a project that could be implemented by a private sector organisation.

The Project Document should clearly state how the project supports Finnish development policy, possible country strategy and possible Team Finland cooperation in the country.

5.2. Planning Process: Finnish and partner country agency

The steps to be taken during the preparation of the Project Document include the following:

- Workshop/discussion to ensure that all stakeholders understand the rules and regulations related to the ICI projects.
- Joint situation analysis. Analysis of various stakeholders including the rights and needs of these. Familiarisation with organisational, economic, cultural and social aspects. Analysis of the capacities in the partner agency.
- Joint needs assessment. Comparison of various needs and priorities. Identification of key problems and bottlenecks. Identification of key persons in the project implementation.
- Preparation of the results framework and risk assessment as well as a plan on how to apply human rights based approach and advance cross-cutting objectives in the project.
- Preparation of an evaluation, monitoring and learning plan including a plan to conduct and budget a self-assessment (or another type of evaluation) of the project.
- Preparation of the full Project Document.
- Preparation of an MOU.

Usually the Project Document preparation includes one or several visits between the two countries, skype meetings and e-mail conversation. The whole process may take anything between 2-6 months.

The Project Document does not need to include all details. Since the time for project planning is limited, the process of fixing details can be continued after the project is approved, during the so called inception phase.

The draft Project Document is checked by the Facilitation Consultant.

The Project Document may need to be approved by higher authority within the partner country. Adequate time needs to be reserved for this process.

The Project Document is signed by authorised representatives of both agencies and submitted to the respective Regional Department in the MFA.

5.3. MFA's Financial and Technical Support for Project Planning

Financial support: To enable further dialogue and a proper planning and preparation of the proposed project, the respective MFA Regional Department may sign an assignment contract with the Finnish agency to prepare the Project Document (The assignment contract for the *project preparation* is based on the same contract model as the assignment contract for the *project implementation*.) The project partners should provide an outline of the Project Document planning process with an overview of the planning process, tentative work plan, participants and a budget. **The maximum amount of financing available for the preparation is 50.000 €.** After having concluded the assignment, the Finnish agency invoices the MFA on the basis of accrued costs. For the assignment contract, the Finnish agency defines the objectives of the preparatory mission and the MFA includes any possible conditions it may have for the Project Document.

Services of the Facilitation Consultant: In addition to the MFA financing for the Project Document preparation, the Finnish agency is entitled to the support from the Facilitation Consultant in preparing the Project Document. Facilitation Consultant advises on the requirements of the MFA and good practices of project planning.

The support services of the Facilitation Consultant during the planning phase typically include the following:

- Familiarisation with the relevant documentation.
- Initial meeting and discussion with the Finnish agency.
- Discussion jointly with the MFA Officer in the Regional Department and the Finnish agency.
- Provision of written comments on the Project Document with recommendations for additional information, clarification or elaboration of the Project Document. Furthermore, the Facilitation Consultant identifies and points out possible risks in the project implementation, and proposes mitigation measures.
- Review and comments on the revised Project Document (if needed).
- Checking that the formal requirements are met.

MFA Support for the Finalization of the Project Document: The cooperating agencies submit the Project Document first to the Facilitation Consultant for review. If the Facilitation Consultant considers the Project Document to fulfil the formal and quality requirements, it forwards the Project Document to the relevant MFA Regional Department. Only Project Documents that have been first presented to the Finnish agency to the Facilitation Consultant for comments will be considered in the MFA for financing.

See annex 1.9. regarding the support provided by the Facilitation Consultant.

5.4. Ensuring Results Orientation and Managing Risks

The Project Document describes the situation that needs to be improved, gives information on the cooperating organisations and explains how to arrive at the desired situation (what needs to be done) within the project timeframe and available resources.

In order to identify the needs and find realistic methods to address them, a **situation analysis** needs to be conducted during the planning phase. Situation analysis should not study only the official plans and budgets of the partner country agency but also a review of what resources are actually available (financial and staffing situation etc.). The recommendations that the country has received from the relevant Human Rights Treaty Monitoring Bodies can be helpful in identifying the gaps between the international human rights commitments that the country has made and their actual implementation at the national level, as well as provide concrete guidance on the key issues that country should tackle to improve the situation.²

² These recommendations can be found from the website of the UN Office of the High Commissioner for Human Rights (www.ohchr.org) by selecting the relevant country from the 'Human Rights by Country' tab from the menu bar of the page.

A stakeholder analysis (i.e. analysis of various stakeholders, their roles and interests related to the project outcome) should be conducted at an early stage. The analysis should also include identification of the stakeholders who, while not directly benefitting from the project, may be affected. Proposed measure to address any negative effects identified need to be included in the risk assessment.

RBM. The main function of the Project Document preparation phase is to define the expected results of the project. Expected results are presented in the format called **Results-based Management (RBM)**. There is [specific guidance on how to apply RBM](#) in Finland's development cooperation.

Project Document should present results at three levels: impact, outcome and outputs. These three levels of results can be understood in terms scope (impact as change for final beneficiaries and society, outcome as change in the partner country agency, and outputs as specific changes in capabilities) or in terms time (impact as a long term change, outcome as change when the project is finished, and outputs are complementary smaller changes).

Reaching results should be monitored over time using measurable indicators. Indicators may include qualitative indicators like a survey on the satisfaction rate.

Finally, the detailed planning includes planning activities (needed to reach outputs), and resource utilisation (budget, schedule, expertise needed) to carry out the activities.

To summarise, the results framework of an ICI project has typically

- One impact statement (1-2 sentences)
- One outcome statement (1-2 sentences)
- 3-5 expected outputs
- 1-2 qualitative or quantitative indicators for each impact, outcome and output
- Several activities identified for each output.

RBM table should be included within the text or annexed to the Project Document.

The risk assessment is a critical part of the project planning process. Formulating expected results and considering risks related to them is an iterative process. If major risks are identified, the expected results of the project need to be reformulated so that these risks can be avoided or have a smaller probability to materialise during the implementation phase. In accordance with the human rights-based approach and the cross-cutting objectives, risks related to the realization of human rights must be assessed, including those related to the realization of the rights of women, girls and persons with disabilities. When the risk assessment is finalised, the end result is a risks table which describes important but manageable risks – risks worth taking.

Format for risk assessment table available in annex 1.4. The table has a simple format:

- Name the risk (and classify it under the predefined headings like 'operational risk'),
- Assess its likelihood and potential severity (both valued in scale from 1 to 4). When you multiply these two numbers together, you get the number for impact (1-16).
 - o If the number is very high (e.g. 16), you may need to go back to the planning of the project results.

- If the risk is manageable (e.g. a number between 6 and 12), you can keep the risk in the table but define measures/tasks during project implementation to contain the risk.
- If the risk impact is very small (e.g. 1-4), it may be insignificant and can be dropped out of the risk table.
- In the end, you have a table showing the significant risks, and ideas on the possible ways to combat them during project implementation.

Risk assessment needs to be annexed to the Project Document.

Ownership: Experience and studies of capacity development show that the role of the partner country agency should be decisive in defining the objective and suitable indicators for the project. Therefore open dialogue during the Project Document preparation phase is of great importance for the success of the project. The Finnish agency and experts must be cautious not to impose “the right answers” but to carefully consider what would be “the best fit” solution for the capacity challenge of the partner agency.

Improved capacity and mutual learning: The project activities are expected to relate to capacity development of the partner country's public sector institution. Usually capacity development focuses on a specific unit of the organisation, or its specific task/function. Capacity development covers not just the skills of personnel but also related aspects of operational practices, organisational development and personnel requirements. In order to ensure sustainability, the links to local training institutions and service providers need to be identified.

If the Finnish agency has similar activities in a third country, an element of south-south learning can be included in the project. In any case, Finnish government agency also benefits in terms of enhanced international exposure and strengthened professional experience.

Human Rights Based Approach: All Finnish development cooperation needs to apply the Human Rights Based Approach (HRBA). This means, at minimum, that already during the project planning careful consideration is made to key human rights challenges present in the country, particularly potential discrimination or exclusion experienced by some groups, to ensure that no harm is done. In addition, all interventions should ensure that the human rights principles (non-discrimination and equality; participation and inclusion; transparency; and accountability) are systematically reflected in the project planning, implementation, monitoring and evaluation. Beyond the minimum requirement, the project should advance the realization of human rights in its results and the capacity of the duty-bearers to fulfil its obligations at the outcome level.

HRBA cannot be fully ‘planned’ during the project planning but it may require active positioning in selected issues. The approach includes being attentive as an expert within the project, carrying personal responsibility and taking stances – in a firm and polite manner – when needed. Small issues can have major impacts, but they need to be acted upon and the accountability of duty-bearers must be upheld. What is a small or insignificant issue for one person can be a major issue for, and endanger the enjoyment of rights of another.

The MFA of Finland has a [specific guidance note for applying HRBA](#).

Cross-cutting objects: The cross-cutting objectives are a set of specific issues which have relevance for improving the project from the Finnish development policy

perspective. These are set out in the [Guideline for the cross-cutting objectives in Finnish development policy and cooperation](#).

While the Guideline includes five distinctive cross-cutting objectives, not all of them might be equally relevant to all projects. However, all cross-cutting objectives have a minimum standard that needs to be fulfilled in all projects. In addition, where applicable, one or more of the cross-cutting objectives can be advanced beyond the minimum criteria through targeted action, mainstreaming or policy dialogue. The fulfilment of the minimum criteria and the opportunity to advance cross-cutting objectives is assessed during project identification and formulation and the rationale and means of the integration is explained in the project document.

5.5. Project Document: Budget

The Project Document includes a project budget, which covers the entire assignment/contract between the MFA and the Finnish government agency. The budget is broken down by 1) calendar year, 2) four budget headings. The four budget headings are the following:

1. Capacity development costs,
2. Administrative and technical costs of the partner agency
3. Fixed assets
4. Contingency costs.

The breakdown of the budget by calendar year is necessary for the planning and payment schedule purposes of the MFA and the Finnish agency.

The budget is based on the following rules:

- **At least 60 %** of costs should focus on capacity building.
- The costs directly benefiting the partner country agency, such as allowances, travel costs, management fee, procured goods or equipment that will become the property of the partner country agency, and the share of the contingency that is reserved for the partner agency, must amount to the **minimum of 20 %** of the total project costs.
- Subcontracting should not be more than **15 %**.
- Contingency should not be more than **15 %**

Budget template is available in annex 1.5.

Capacity development costs

Capacity development costs (part A in the budget) are further divided into six categories and they must amount to **at least 60%** of the total costs.

Fees for the Finnish experts

Fees are paid on the basis of expert competence and the number of days she/he works for the project. The number of days may change during the project inception phase or later. However, the fee per day is fixed for the project period.

The ICI projects consist of official performances the prices of which are decided on commercial criteria in accordance with paragraph 1 of Section 7 of the Act on Criteria

for Charges Payable to the State (maksuperustelaki 150/1992), unless otherwise provided for in the laws governing the Finnish government agency in question. In case of lack of clarity, the financial management (or the equivalent) of the Finnish government agency in question shall be consulted by MFA/ Regional Department on how to charge for the ICI projects.

In principle, the management and coordination costs incurred during the implementation of the project are covered in the daily fee of the Finnish agency. There may, however, be need for allocating a small number of working days for management and administration activities that are not directly capacity development of the partner agency, such as preparation of study visits. All days budgeted for management and coordination tasks need to be explained in the Project Document.

Allowances for partner country experts

The partner country agency takes responsibility for its own labour costs and salaries. It has to appoint officers and give them enough time to carry out the project. The project budget may include only allowances (e.g. daily allowance or travel allowance) for project work related tasks. The partner country regulations and allowance rates are applied for the work performed in the partner country, the Finnish travel regulations and rates are applied for the work performed in Finland or in the third countries.

In addition, the budget may include annual management costs to be paid to the partner country agency as an organisation for general administrative tasks – see below.

Subcontracting

In carrying out the assignment, the Finnish government agency must use its permanent staff for undertaking the assignment. Subcontractors should not be used due to legal provisions except for minor tasks.

If the use of subcontractors becomes necessary, the Finnish government agency and the MFA have to agree on the matter. The maximum share of work assigned to a private subcontractor (e.g. company, university or NGO) should be small (**less than 15%** of the total project budget). This means, in essence, that the Finnish government agency may not pass the main assignment to subcontractors. In addition, the Finnish government agency may not procure services from a person directly or indirectly employed by the Finnish government organisation in question.

The project may use subcontracting either from Finland or the partner country for key services such as

- special expertise related to the theme of the project,
- ICT-services,
- editing publications, preparing communication materials
- interpretation and translation.

The Public Procurement Act (348/2007) shall be applied to subcontracting both in Finland and in the partner country. Subcontracts shall not be interpreted as falling within the scope of section 8 (6) of the said Act allowing for direct award.

Administrative and technical costs of the partner agency

The budget may include management cost to be paid to the partner country agency as an organisation provided that the payment is made through the official accounts of the

partner agency. In addition to the main administrative costs (coordination, communication etc), the administrative costs may cover technical costs, which arise specifically from the project management, excluding salaries. Possible costs include:

- photocopying and printing;
- rent of external venues for arranging seminars and workshops; and
- miscellaneous costs arising from seminars.

Fixed assets

Fixed assets are purchased according to the Finnish Public Procurement Act regardless of the country of procurement. The assets will be managed by the project until the completion of the project. The partners must agree in writing whose property the fixed assets will become after the project. The principle is that assets procured in the developing country will be handed over to the partner agency during the project completion.

Contingency

It is advisable to reserve some funds for unforeseen costs. The contingency can be a **maximum of 15%** of the total budget. The Project Board makes a decision on the use of the contingency funds in writing.

5.6. Administrative Set-Up

The project must have a management and decision-making system with **clearly defined roles and responsibilities** for both agencies. The key experts from both organisations and their tasks and duties should be described in the Project Document, and their CVs appended to the document.

A **Project Board** consisting of representatives of both agencies and, if necessary and beneficial for the project, of important stakeholders, is set up to exercise decision making authority in the project. The members, responsibilities and meeting arrangements of the Project Board are defined in the Exchange of Letters or Memorandum of Understanding. The key function of the Project Board is to monitor the project and to support the cooperating agencies in carrying out the activities. It is advisable, where possible, to include a representative from the Finnish Embassy as an observer in the Project Board. Annual plans should be discussed and approved by the Project Board. The Project Board approves the final report before these are submitted to the Facilitation Consultant and to the MFA. Progress and financial reports are sent to the Project Board for information. It is recommended that the Project Board reviews and discusses the outcomes of the self-assessment and monitors the implementation of its recommendations.

The Project Board should meet in person whenever possible. If this is difficult to arrange, the Project Board may also meet virtually. The project budget should include allocation of funds also for the scheduled Project Board meetings.

5.7. Annex to Project Document: Information on Personnel

The Project Document should include the CVs of key personnel to ascertain that the proposed experts have the required expertise and experience. In case there is a need to change an expert during the project implementation, the required qualifications of the expert should be looked up from the Assignment Contract.

In addition to the CVs of the proposed Finnish experts, the Project Document should also include a presentation of the key partner agency experts. Inclusion of their CVs in the Project Document is highly recommended.

A CV template is provided in annex 1.7.

5.8. Commitment to Cooperation

It is essential that both institutions have committed to the cooperation at institutional level. It is useful to exchange letters on the commitment to cooperation or prepare a Memorandum of Understanding (MOU) already during the project preparation phase. The issue to be defined is the specification the roles and responsibilities of the cooperating agencies and the management and decision-making arrangements. The letter of exchange or MOU should include the names of the members of the Project Board as well as the names of authorised representatives who can approve costs arising in the course of the project.

The exchange of letters or MOU should be preferably finalised before the assignment contract has been signed.

After a positive decision by the MFA, the Finnish government agency will be called for contract negotiations and an Assignment Contract will be signed between the MFA and the Finnish government agency. The finalized and signed exchange of letters or MOU should be preferably appended to the Assignment Contract.

See Annex 2.2.

6. MFA FUNDING DECISION

The funding decision follows the normal administrative procedures in the MFA. The responsible Desk Officer in the MFA is in charge of assessing the Project Document and decides whether it should be presented to the Quality Assurance Board for recommendations, and subsequently to the Minister for Development Cooperation for approval and financing. The Desk Officer may also ask for supplementary information or decide not to present the Project Document to the Quality Assurance Board. In addition, the Desk Officer needs to ensure that there are sufficient resources available for financing the project.

The key criteria for assessing the Project Document include:

1. Relevance in relation to the priorities and policies of the MFA;
2. Relevance in relation to the strategies and plans of the partner agency;
3. Effectiveness and feasibility of the project, coherence and quality of the project's intervention logic (RBM framework) and management provisions:
 - a. clarity and realism of the expected 'impact', 'outcome' and 'outputs' and their contribution logic; how they are linked with corresponding activities and adequate resources;
 - b. identification of key experts and their responsibilities.
4. Sustainability in terms of financial and institutional capacity of the partner agency to maintain the quality and volume of activities developed during the project.

Reaching the criteria will be assessed in consultation with the relevant Finnish Embassy and the respective thematic MFA Advisor will comment the Project Document before it is presented to the Quality Assurance Board of the MFA for assessment. Provided that a favourable opinion is obtained from the Quality Assurance Board, the document is presented to the Minister responsible for Development Policy for approval.

7. CONTRACTUAL ARRANGEMENTS

The normal contractual arrangements include the following:

- Partner agency and Finnish government agency exchange letters or sign a Memorandum of Understanding.
- MFA signs an assignment contract with the Finnish government agency.

7.1 Intergovernmental Agreement

The MFA is responsible for the official relations with the *government* of the partner country. The relations, including commitments and principles for official development cooperation (including possible tax exemptions and/or exemption from customs duties) are defined in the intergovernmental agreements. In case the project includes import of equipment and/or fixed assets, or transfer of ownership of equipment and fixed assets from the Finnish agency to the partner country agency, the ICI partners need to clarify whether an intergovernmental agreement is required.

In case of unclear situation, the Regional Department of MFA shall consult the Department for Development Policy in the MFA (KEO-80) regarding the need for an intergovernmental agreement. It should be noted that preparing an intergovernmental agreement is a lengthy and very complex process and preferred practice is not to refer to the intergovernmental agreement. If an intergovernmental agreement is not needed, this should be mentioned in the assignment contract. It may, however, be useful if the project includes substantial amounts of imported equipment and/or fixed assets to the partner country. In these cases, the intergovernmental agreement should be in force before the Assignment Contract is signed.

7.2. Assignment Contract

The MFA assigns the Finnish government agency with the task of managing the project through signing an Assignment Contract (toimeksianto valtion virastolle). The Finnish government agency is then allowed to manage the project as specified in the Project Document. The Project Document is appended to the Assignment Contract. See annex 2.1.

7.3 Exchange of Letters of a Memorandum of Understanding

The Finnish government agency handles all practical aspects of cooperation with the partner agency. However, both parties need to be committed both at institutional level and at the level of technical expertise. The commitment is expressed through official exchange of letters between institutions, or using a Memorandum of Understanding between the two agencies. It defines major roles for both parties as well as the representatives in the Project Board.

The signed exchange of letters or Memorandum of Understanding should be sent to the MFA preferably before signing of the Assignment Contract.

More details in annex 2.2

8. IMPLEMENTATION AND REPORTING

8.1. Inception Phase

Project implementation is useful to start with an inception phase. This means that the first months are used for mutual learning and the adjustment of initial plans. The length of the inception phase depends on the overall duration of the project.

In the beginning of the project it is useful to have a kick-off workshop where all key stakeholders are brought together. Kick-off workshop should comprise of interactive and open discussion sessions. For guidance on Kick-off workshop, see template in annex 3.1.

In the beginning, sufficient resources should be allocated to enable establishment of good mutual relations and for confidence building. It is also strongly recommended for the Finnish partner to seek advice from the Facilitation Consultant with regard to the project management, including planning and reporting, requirements and good practices. *In some cases, it is very practical to request the Facilitation Consultant to participate into the agency-agency meeting either using Microsoft Teams or other application or in person.*

The programme implementation is based on mutual accountability and direct cooperation between the two cooperating agencies, but the Finnish agency is responsible for its own part, and in accordance with the Assignment Contract, on the effectiveness and legality of the project activities. The working modalities and detailed work plans are agreed in a mutually acceptable manner. The project, as a capacity building activity, may have qualitative objectives, which are difficult to pin down exactly.

The Finnish agency can, in accordance with the exchange of letters or MoU and the Project Document, delegate to the partner agency the responsibility for carrying out certain activities and/or paying certain expenses if invoicing is done through the official accounts of the partner agency, and if the delegation of responsibility does not necessitate an intergovernmental agreement. The Finnish agency is responsible for ensuring that the partner country agency has the required funds, and that the partner country agency presents the required invoices/receipts and other required documentation for invoicing purposes. The partner country agency's costs must be earmarked in the project budget.

In the end of the inception phase, the Project Document may be updated if needed. The update should be approved by the Project Board. Major changes in budget and Project Document should be approved by the MFA Regional Department. At this stage, changes at 'impact' and 'outcome' level should be avoided.

8.2. Implementation Tasks

Implementation is usually divided into various activities. These could be related e.g. to capacity building, joint analysis and sharing of information. If the responsibility of the activities is distributed to many experts, it is useful to share information between

experts to ensure that the 'big picture' (i.e. results orientation) is taken into consideration.

Good practices for the project implementation include following:

- Capacity building addresses both the needs of the persons' level and the institutional level,
- Capacity building is perceived as a mutual learning process; cultural and institutional contexts have differences which are not self-evident,
- Values and policy issues are not side-lined; for example, gender equality may require constant small steps,
- Plans are the starting point, the realities are the actual working environment; flexibility and capacity to the quick changes are useful,
- All changes need to have mutual interest and mutual approval; changes without communication may erode trust.

Project Board makes the key decisions regarding implementation of the project. The Project Board should meet at least twice per year to discuss the project progress vis-à-vis the results framework, underlying factors behind possible challenges or successes, approve possible needed amendments to the plans as well as adopt annual plans and the Completion Report. The Project Board may also meet using video/telephone/internet conference facilities in order to ensure smooth cooperation.

The Finnish and partner government agency can make changes in the budget through the Project Board decision. Changes up to five percent of the total budget can be made between the four main budget lines, provided that the other regulations are not violated (min 60 % for capacity building including max 15 % subcontracted work; min 20 % for partner related costs; max 15 % for contingency). Changes within the main budget lines are also made through the Project Board. Information on any changes which affect on the expected outcome or outputs of the project need to be first discussed with the Regional Department of the MFA and agreed through correspondence.

Annual plans and Completion Report explore the progress in relation to the project objective and expected key results. They are discussed and approved by the Project Board. The annual plan should be used as an instrument if significant changes need to be made in the project operations.

Progress reports, including financial reports, are prepared by the Finnish agency for the MFA as a prerequisite to obtain payments. The progress reports are distributed to the Project Board for information.

8.3. Annual Plan and Mission Terms of Reference

It is important that the implementation phase is planned in detail to ensure that all share the same understanding of the objectives and expectations of the project activities. This is done by preparing and agreeing on an annual implementation plan and Terms of Reference for each visit/mission before the mission is carried out. The annual plans and Terms of Reference are internal documents between the cooperating partners. It is of utmost importance that the partner country agency participates in the planning actively. The format for annual plans is shown in Annex 3.2 and for Terms of Reference in Annex 3.4.

The annual work plan is prepared jointly by the two agencies and it must be approved by the Project Board or equivalent. The annual plans should cover the following calendar cum fiscal year.

The annual work plan includes updated risk assessment table.

The annual work plan has to be sent to the MFA country officer not later than the end of February.

In planning it is important to bear in mind that the MFA makes no advance payments.

8.4. Conduct Monitoring, Evaluation and Learning (MEL)

It is required for the ICI project to prepare a monitoring, evaluation and learning plan latest during the inception phase of the implementation. The MEL plan is a tool for the project partners to think strategically and plan what kind of evidence and M&E activities are needed to reach planned project results. It describes how M&E activities are resourced, how the results are used and reported. It is a useful tool for stakeholders to support learning, accountability and adaptive management throughout the project implementation. The MEL comprises of progress reporting and evaluation which is recommended to be conducted as a self-assessment.

The Results Framework includes a set of issues to monitored, as well as indicators which, when assessed annually, provide data on the progress. Naturally, project monitoring includes many qualitative observations beyond the indicator data.

The practical utility of the MEL is simple: it gives evidence and clarity for the Project Board when the progress of the project is discussed. It also gives information to the MFA of Finland that the project is on track.

8.5. Progress Reporting and Invoicing

The Finnish government agency prepares brief progress and financial reports to the MFA as a basis for payments. Progress reporting and invoicing takes place quarterly or twice a year, as defined in the contract.

Progress reports serve as the basis for monitoring of project progress. They provide essential information enabling the project decision-making body to make changes or adjustments to the project plans and operations if considered necessary. Reports provide also a useful record of completed activities and support invoicing.

In the preparatory phase, it is important to appoint a person to be responsible for preparing and approving the reports. After authorised people have approved the report, it is sent **to the Facilitation Consultant for review and initial approval**. The Facilitation Consultant either approves the report after which it can be sent to the responsible Desk Officer in the Ministry for Foreign Affairs or requests further information or clarification from the Finnish reporting agency within seven days from receipt.

The progress reports are signed by the representative of the Finnish agency. The signed report functions as an invoice in the billing system of the Government. **A**

progress report approved by the Regional Department is a basis for payments of the MFA.

The financial report presents the costs incurred during the reporting period, broken down according to the budget classification. The MFA is charged for actual costs (i.e. verifiable and acceptable costs) caused to the Finnish government agency when carrying out the services. **Costs have to be invoiced during the same calendar year.** The MFA's commitment to make payments in accordance with the budget is contingent on annual approval of the State Budget by the Finnish Parliament.

The invoices are sent to the relevant Officer in the MFA Regional Department.

Electronic invoices should be addressed using inter-agency data management code [ovt-tunnus] 0037024597392399. The electronic invoice should include all the necessary files in one package.

The invoices should contain all necessary information, including the name of the person responsible for the matter in the MFA and the intervention code.

The financial management needs to fulfil the principles of sound financial practice.

8.6. Self-assessment

According to the evaluation norm, all MFA ODA projects should be evaluated at least once during their implementation period. It is recommended that the required evaluation will be conducted as a format of self-assessment. If the self-assessment is done only once, it should be conducted at mid-term. Self-assessment is done to facilitate monitoring as well as results reporting during the project implementation and at its closure.

The self-assessment is a key element of the monitoring, evaluation and learning plan. It is a documented and facilitated exercise and serves the purpose of learning between the two government agencies, steering as well as reporting. It provides the ICI partners with an opportunity to 1) conduct a joint analysis on whether the implementation of the project is on track, 2) identify possible corrective measures needed and 3) facilitate the preparation of progress and completion reports. Self-assessment provides valuable information for the MFA and all stakeholders on achieved results.

Self-assessment is a participatory process between the project partners, including a workshop(s), where key issues are openly discussed and analysed by the project partners. It may be useful to ask for a few selected outsiders to voice their views.

Instructions regarding the organization and implementation of self-assessment are available in annex 3.12.

In addition, MFA has a right to conduct project specific or thematic evaluations on ICI projects. These may be organized by the Regional Department of the MFA or the Evaluation Unit (EVA-11) of the MFA.

Further information about planning of evaluations including a facilitated self-assessment can be found at <https://um.fi/kehitysyhteistyon-evaluointikasikirja>.

8.7. Completion Report

The Completion Report is prepared by the cooperating agencies and approved by the Project Board or equivalent and the Facilitation Consultant before it is sent to the MFA for approval within 90 days after the project completion.

The Completion Report describes progress made in the project against the project objectives and expected results. It should pool together any underlying factors of possible challenges or successes throughout the project cycle from the perspective of the realised results, and provide key lessons learned for possible future cooperation. Its format follows roughly the Project Document format while the financial reporting follows the headings of the project budget (e.g. A1 assignment fees for Finnish government employees), which is appended to the Project Document. The project coordinator should annex the self-assessment report (or other type of mid-term evaluation) to the Completion Report.

Outline for the Completion Report is available in annex 3.9. Guidance for final financial/expenditure reporting is available in annex 3.10. If there are assets to be officially handed over, a procedure for it available in annex 3.11.

9. TECHNICAL ADVISE TO THE GOVERNMENT AGENCIES

9.1. Advise

Finnish government agencies have expertise in their respective fields of operation. Many of them have high quality expertise also in development policy and development cooperation. In order to facilitate top class project implementation, the following services and contacts are useful to know.

1. Desk Officer in the MFA has full information on financing frames. She/he has also knowledge on the political and administrative set-up in the partner country.
2. The Embassy of Finland in a developing country has usually experts with detailed knowledge on development cooperation, context analysis and factors related to successful cooperation in the country.
3. The MFA thematic Advisors have expertise in thematic issues such as energy, good governance and gender equality.
4. The Facilitation Consultant is a close partner for the Finnish government agency. The Facilitation Consultant cooperates closely with the agency to ensure smooth operation and sustainable results.
5. Partner country agencies. The partner country agencies have the best knowledge on their operational practices, rules and ways of management. The knowledge includes both written regulations and tacit knowledge.

The contact details of the current facilitation consultant are available in Annex 1.9.

9.2. Training

The MFA provides training on development policy and development cooperation. This training is useful for general orientation. For further information, please contact MFA/KEO-10.

The MFA together with the Facilitation Consultant provides occasionally specialized discussions and training events to the Finnish government agencies that are implementing ICI projects. Information on such trainings is provided by e-mail to the relevant Finnish government agencies.