

EVALUATION

EVALUATION OF FINLAND'S INTERNATIONAL CLIMATE
FINANCE 2016-2022

Volume 1 • Main Report



Ministry for Foreign
Affairs of Finland



Evaluation of Finland's Development Policy and Co-operation

2023:6



© Ministry for Foreign Affairs of Finland 2023

This report can be downloaded through the home page of the Ministry for Foreign Affairs
<https://um.fi/development-cooperation-evaluation-reports-comprehensive-evaluations>

Contact: EVA-11@gov.fi

ISBN 978-952-281-757-0 (Evaluation as a whole)

ISBN 978-952-281-755-6 (Vol 1)

ISSN 2342-8341

Layout: Grano Oy

Cover illustration: Justin Go, Niras International Consulting



EVALUATION

EVALUATION OF FINLAND'S INTERNATIONAL CLIMATE FINANCE 2016-2022

Volume 1 • Main report

Matthew Savage (Team Leader)
Susan Ulbaek
Jaana Vormisto
Saila Toikka
Roosa Tuomaala
Anu Nieminen



Lead Company



2023:6

This evaluation was commissioned by the Ministry for Foreign Affairs of Finland to the consortium Particip-Niras. This report is the product of the authors, and responsibility for the accuracy of the data included in this report rests with the authors. The findings, interpretations, and conclusions presented in this report do not necessarily reflect the views of the Ministry for Foreign Affairs of Finland.



Contents

ACRONYMS AND ABBREVIATIONS	VIII
SUMMARY	X
YHTEENVETO	XVII
SAMMANFATTNING	XXIV
1 Introduction	1
1.1 Overview	1
1.2 Purpose of the evaluation	1
1.3 Scope of the evaluation	2
2 Approach, Methodology and Limitations	4
2.1 Evaluation approach and questions	4
2.2 Methodology and approaches to analysis	4
2.3 Data collection methods	5
2.4 Limitations	6
3 Context Analysis	8
3.1 International context	8
3.2 Finnish context	11
3.2.1 Strategies and policies	12
3.2.2 Cross-cutting objectives	14
3.3 Overview of Finland's climate finance portfolio	15
3.3.1 Overall climate finance	15
3.3.2 Mitigation and adaptation	20
3.3.3 Sectoral patterns	23
3.3.4 Geographic patterns	24
3.3.5 2022 Climate Finance – initial data	29
4 Findings	30
4.1 Relevance and Coherence of Finland's climate finance	30
4.1.1 Strategic prioritisation in Finland's climate finance	30
4.2.1 Instrument-based approach to strategy	34
4.1.3 Relevance to global and developing country objectives	36
4.1.4 Coherence with Finnish development policy and climate diplomacy objectives	37
4.1.5 International alignment	39
4.1.6 Domestic complementarity (Finnish Interests)	39
4.2 Results of Finland's Climate Finance 2016-2022	41
4.2.1 Efficiency of implementation	41
4.2.2 Outcomes of Finnish Climate Finance support	43



Climate adaptation	46
4.2.3 Cross-cutting objectives	47
4.2.4 Impact and Transformational Change	50
4.2.5 Sustainability	54
4.2.6 Leveraging private sector engagement and capital mobilisation	55
4.2.7 Participation of and benefits for Finnish stakeholders	58
4.2.8 Country level insights	60
4.2.9 Influencing and multilateralism	63
4.2.10 Quality of target setting and results management:	64
4.3 Remaining relevant, credible, influential and impactful	66
4.3.1 Emerging trends in climate finance	66
4.3.2 Peer donor orientation	68
4.3.3 Implications for development of MFA climate finance and Finnish value-add ..	71
5 Summary of EQ findings	73
6 Conclusions	76
7 Recommendations	84
7.1 Considerations for Finland's climate finance	84
7.2 Key recommendations	85
8 References	93
ANNEX 1: THE EVALUATION TEAM	96
ANNEX 2: TERMS OF REFERENCE	98
ANNEX 3: APPROACH AND METHODOLOGY	115
ANNEX 4: METHODOLOGICAL NOTE ON THE SUB-PORTFOLIO REVIEW AND SCORING	135
ANNEX 5: SUB-PORTFOLIO RESULTS	144
ANNEX 6: LIST OF PEOPLE CONSULTED	151
ANNEX 7: DETAILED EVALUATION MATRIX	156
ANNEX 8. SUMMARY OF FINDINGS FROM THE NAOF AND DPC REVIEWS ..	161
ANNEX 9. CONSOLIDATED RESULTS FOR KEY INDICATORS FROM SUB-PORTFOLIO REVIEW	164



LIST OF FIGURES

Figure 1	Impacts on social and environmental systems of different levels of future climate change	10
Figure 2	Overview of international climate flows (funds and institutions)	11
Figure 3	Influences on the development of Finland's climate finance portfolio	14
Figure 4	Disbursements by grants, loans and investments 2016–2021 (EUR million) ...	16
Figure 5	Disbursement by funding channels (categories established by evaluation team)	17
Figure 6	Share of climate finance relative to overall funding to development cooperation	19
Figure 7	Top 10 recipient organisations 2016–2021	20
Figure 8	Division of annual disbursements by Rio Markers	21
Figure 9	Flow of grant and loans/investments -based climate finance by Rio Markers ..	22
Figure 10	Focus on mitigation and adaptation by channels (recoded channels)	22
Figure 11	Indicative sectoral focus split by mitigation/adaptation	24
Figure 12	Approximate geographic focus of Finland's climate finance portfolio (EUR million)	25
Figure 13	Mitigation and adaptation finance by country income categories (OECD DAC categorisation)	25
Figure 14	Focus at the country level (EUR million)	27
Figure 15	Assessment of sub-portfolio timeliness of implementation	42
Figure 16	Portfolio review of effectiveness (evidence of climate outcomes)	43
Figure 17	Effectiveness of mainstreaming development objectives	48
Figure 18	Scaling and replication	51
Figure 19	Assessment of sub-portfolio for sustainability of outcomes	54
Figure 20	Assessment of use of climate indicators in sub-portfolio	65
Figure 21	Theory of Change for the Finnish Climate Finance Portfolio	118

LIST OF TABLES

Table 1	Total interviews by stakeholder category	5
Table 2	Overview of government strategies and policies influencing Finland's climate finance	12
Table 3	Climate finance disbursements 2016-2021	15
Table 4	Total disbursements by funding channels	17
Table 5	Breakdown of climate finance by channel and original instrument codes	18
Table 6	Portfolio emphasis by Rio Markers	21
Table 7	Sectoral allocation of Finnish Climate Finance (OECD DAC codes)	23
Table 8	Scale and type of climate finance by key countries (EUR million)	26
Table 9	Sectoral allocation in largest recipient countries of Finnish climate finance (EUR million)	28
Table 10	Theory of Change	33
Table 11	Overview of MFA instruments and orientation	35
Table 12	Overview of the three main Evaluation Questions	115
Table 13	Criteria for intervention sample selection	121
Table 14	Portfolio assessment sub-sample by channel	122
Table 15	Portfolio assessment sub-sample by case study relevance	122



Table 16	Size of portfolio by country	127
Table 17	Referencing new re-coded categories with the 'instrument' detail in the original dataset	133
Table 18	Criteria for intervention sample selection	136
Table 19	Initial matching of the portfolio sub-sample with the case studies	136
Table 20	Portfolio assessment sub-sample by funding channel	137
Table 21	Scoring scales	139
Table 22	List of interventions for sub-portfolio assessment	142

LIST OF BOXES

Box 1	Mainstreaming of climate change in Finland's development finance portfolio ..	31
Box 2	Global framework for climate action under the UNFCCC	36
Box 3	Finland's convening power for climate action	38
Box 4	Mitigation results in the climate finance portfolio	45
Box 5	Adaptation results in the climate finance portfolio	47
Box 6	Cross-cutting objectives in the climate finance portfolio	49
Box 7	Transformational systemic change in adaptation	52
Box 8	Transformational change in the multilateral portfolio	53
Box 9	Climate mainstreaming in development policy Investments	57
Box 10	Insights from the private sector portfolio	58
Box 11	Programme coordination in the country context	62



Acronyms and Abbreviations

ADB	Asian Development Bank
AF	Adaptation Fund
ALI	Department for Africa and Middle East
ASA	Department for the Americas and Asia
CC	Climate Change
CCO	Cross-cutting Objective
COP	Conference of the Parties of the UN Climate Change Conference
COVID-19	Coronavirus disease 2019
CREWS	Climate Risk and Early Warning Systems Initiative
CRS	Creditor Reporting System
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DFI	Development Finance Institution
DPC	Development Policy Committee
DPI	Development Policy Investments
DRR	Disaster Risk Reduction
EBRD	European Bank for Reconstruction and Development
EDFI	European Development Finance Institutions
EE	Energy Efficiency
EEP	Energy and Environment Partnership
EMS	Evaluation Management Service
EMSC	Evaluation Management Service Coordinator
EQ	Evaluation Question
ET	Evaluation Team
EU	European Union
EUR	Euro
EVA-11	MFA's Development Evaluation Unit
EWS	Early Warning Services
FAO	Food And Agriculture Organization
FCR	Findings Conclusions and Recommendations
FELM	Finnish Evangelical Lutheran Mission
FFD	Food and Forest Development Finland
FFF	Forest and Farm Facility
FMI	Finnish Meteorological Institute
FORVAC	Forestry And Value Chains Development
GCF	Green Climate Fund
GDP	Gross Domestic Product
GEF	Global Environmental Facility
GHG	Greenhouse Gas
GWh	Gigawatt hour
HIPCA	High Impact Partnership On Climate Action
HRBA	Human Rights-Based Approach
IADB	Inter-American Development Bank
ICI	Institutional Cooperation Instrument
IDA	International Development Association
IDB	Inter-American Development Bank



IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFC BFCP	Blended Finance for Climate Program
IFI	International Finance Institution
IMF	International Monetary Fund
LUKE INFORES	“Sustainable management and use of Tanzanian forests” Project
INGO	International Non-Governmental Organisation
IOE	Independent Office of Evaluation of IFAD
IPCC	Intergovernmental Panel On Climate Change
LDC	Least Developed Country
LDCF	Least Developed Countries Fund
(L)MIC	(Lower) Middle-Income Country
MDB	Multilateral Development Banks
MFA	Ministry Of Foreign Affairs
MNRT	Ministry of Natural Resources and Tourism
MTCO_{2e}	Million Tonnes of carbon dioxide equivalent
MW	Megawatt
MWp	Megawatt peak
NAOF	National Audit Office of Finland
NAP	National Adaptation Plan
NDC	Nationally Determined Contribution
NDF	Nordic Development Fund
NEFCO	Nordic Green Bank
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation For Economic Co-Operation and Development
OOF	Other official flows
PFP	Private Forestry Programme
PIF	Public Sector Investment Facility
PSI	Private Sector Instrument
PV	Photovoltaic cells
QA	Quality Assurance
REAP	Regional Entrepreneurship Acceleration Programme
SDC	Swiss Development Cooperation
SDG	Sustainable Development Goal
SDRs	Special Drawing Rights
SECO	State Secretariat for Economic Affairs
SIDS	Small Islands Development State
SYKE	Finnish Environment Institute
TOC	Theory of Change
UK	United Kingdom
UMIC	Upper Middle-Income Country
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	United States Dollar
WASH	Water, Sanitation and Hygiene
WBG	World Bank Group
WWF	World Wildlife Fund



Summary

Introduction

This is a summary of the findings, conclusions, and recommendations for the Evaluation of Finland's International Climate Finance portfolio 2016-2022. The evaluation seeks to assess the relevance and coherence of the Ministry of Foreign Affairs' (MFA) strategy in relation to international climate finance objectives and actors, identify results that have been delivered over the period 2016-2022 and inform how the Action Plan for Finland's Public International Climate Finance might be enhanced and operationalised going forward.

The evaluation draws upon a broad evidence base, including a portfolio data review of more than 500 interventions, a more detailed assessment of 49 interventions representing more than 70% of the value of the portfolio, peer donor review and trend mapping, and interviews with more than 100 stakeholders. The scope of assessment includes all interventions that have been identified as climate finance under the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) Rio Marker reporting system (including both dedicated climate funding and finance identified by MFA as having climate objectives within the broader portfolio).

Evaluation questions (EQ)

The evaluation seeks to answer the following three questions.

EQ1. To what extent is the Finnish international climate finance relevant to and coherent with national, global development and climate agendas and the priorities of those involved and affected?

EQ2. To what extent has Finland's climate finance portfolio delivered results over 2016-22?

EQ3. Over a five-year period, how can Finland ensure that its Climate Finance Action Plan evolves to remain relevant, credible, influential, and impactful?

Overall findings and conclusions

Finland's climate finance consists of a large and often disconnected set of interventions, delivered through a broad range of instruments, each with a different level of focus on climate outcomes. Finland committed about EUR 664 million to climate finance from 2016-2021, divided almost equally between grants and loans/investments. Despite the scale of funding, based on its economy, population, and historic emissions, Finland's level of funding is nonetheless assessed as being below its 'fair share'. More than 500 different interventions were identified, with climate finance spread across multiple channels. These channels range from large contributions



through multilateral institutions like the Green Climate Fund, to domestically oriented instruments providing access to Finnish institutions (CSOs, research institutions, private sector). The largest portion of funding goes through multilateral entities and Finnfund.

Finland has lacked a clear and overarching strategy for the prioritisation and allocation of its international climate finance, leaving funding largely shaped by MFA instruments and processes. In the absence of a strategy, the Paris Agreement has acted as an overall guiding framework for MFA. It has been supplemented by more specific objectives, such as a geographic focus on Africa and Least Developed Countries and the aim to balance support for mitigation and adaptation. Over the period, there has been a shift away from grants towards loans and investments, reflecting the political challenges around securing Official Development Assistance. There has also been a movement from bilateral to larger multilateral contributions, allowing greater scale and influence as well reflecting constraints around MFA capacity and staffing. The desire to leverage Finnish expertise and encourage private sector development and finance are also considerations in the funding approach.

Finland's climate finance interventions are well aligned with international climate policy objectives, developing countries' needs, and partner expectations. In terms of funding volumes, Finland has prioritised multilateral engagement as the core of its approach. MFA interventions are highly consistent with major global commitments under the Paris Agreement and UNFCCC processes, and strongly aligned with developing country policy ambitions and priorities (as set out in their Nationally Determined Contributions, Net Zero commitments, Adaptation Plans and other sectoral targets). Wider development priorities such as gender and human rights are also well reflected across the portfolio. In the absence of prioritisation, MFA has sought to offer a 'full service' approach like that of other (often larger and better resourced) donors, seeking to address a broad range of sectoral challenges using a combination of different funding instruments.

The MFA approach to climate finance is largely dictated by its funding instruments, with each having its own unique advantages and limitations. For example, funding through larger multilateral platforms has the potential to bring scale and impact, but results are sometimes slow and less transparent, and the structure creates challenges for participation by Finnish institutions. CSO instruments are more flexible, often prioritizing smaller-scale, community-linked projects that address adaptation and vulnerable regions. Development Policy Investments often target more commercial sectors (such as renewable energy) in markets with higher levels of social and economic development, and often with a greater focus on transactions and project pipelines rather than policy or market development. One size does not fit all, and the delivery of particular policy priorities requires different combinations of instruments.

The extent of climate focus within instruments depends on the level of MFA target setting and approach to climate mainstreaming. Some instruments are fully dedicated to climate objectives (e.g. contributions to climate funds) or have clear climate funding objectives (e.g. 75% of Development Policy Investments). Other instruments, however, have a partial or more 'mainstreamed' focus which is strongly dependent on signals provided through MFA guidance. The latter approach is typical for more domestically oriented instruments (CSO, ICI, and private sector) where there is a lack of clear climate targets or guidance, and where climate finance is identified through the Rio Marker screening process. In such cases, the level of climate finance is highly dependent on the interest of Finnish intermediaries. More broadly, the MFA has yet to fully internalise the international shift towards Paris Alignment across development cooperation and there are opportunities to strengthen the mainstreaming approach across instruments.



Finland's climate finance interventions have yielded large and diverse climate and development benefits but results have not been well synthesised or communicated. Results arise from across a range of sectoral interventions (energy, water, agriculture, and forestry) and deliver benefits including GHG emission reductions, clean energy capacity and sustainable management of land and forests. Finland mainly achieves these through multilateral funds (often buying a share of overall results) and through specific funding vehicles. There is also evidence of ambition towards and emerging signals of long-term transformative impacts such as fundamental systems change (policy, markets) and the scaling and replication of successful pilots or demonstrations. However, presenting a cohesive narrative of Finland's climate finance is challenging. Reporting is inconsistent, especially in mainstreamed projects. The high level of variation in methodologies, challenges in attributing results from large multi-donor funds and long timescales for outcomes to emerge make results hard to aggregate. Furthermore, the lack of an overall framing strategy, portfolio fragmentation, and MFA resource constraints hinder the MFA's ability to communicate achievements and build political support for Finland's climate finance.

The breadth of funding instruments provides access to a range of Finnish institutions, with emerging areas of national comparative advantage, but engaging the private sector remains challenging. Instruments oriented towards institutional cooperation and CSO participation have been particularly successful in leveraging national expertise, building clusters of projects around early warning, disaster risk reduction, agriculture and forestry. Finnish climate finance has also resulted in support for several Finnish domiciled funding initiatives (e.g. Finnfund, Nordic Development Fund Energy and Environment Partnership (EEP)) which indirectly provide domestic benefits. It has, however, been more challenging to engage the private sector in climate finance interventions (e.g. through Public Sector Investment Facility (PIF), DevPlat, Finnpartnership) due to a lack of scale, interest and perceived opportunity costs for private companies. An increasing focus on the use of multilateral funding instruments has also created wider barriers to Finnish institutional participation (reflecting procurement rules), although MFA has made significant efforts to improve linkages and awareness, particularly in the context of its development policy investments.

MFA is viewed as a collaborative and engaged partner in climate finance, particularly in promoting climate-development linkages, but climate finance and climate diplomacy links could be strengthened. Finnish support for large climate funds and other multi-lateral facilities also provides Finland with international access, diplomatic status, and opportunities for influencing. To date, Finland has had some success at shaping the approach of multilateral partners, particularly on climate-development linkages such as gender and human rights. It is not however seen as a particularly innovative partner on climate change itself (e.g. on climate finance instruments, additionality, or development impact). In parallel to its climate finance, Finland has successfully launched and participated in international climate diplomacy and policy initiatives. However, cross-fertilisation between climate diplomacy and climate finance has been limited. Sometimes, climate policy linkages and opportunities for influence are lost at the country level where interventions are primarily sectoral (e.g. forestry) and it is challenging to bring together bilateral and multilateral programming in a consistent and impactful way.

Despite the portfolio being efficiently managed, resourcing within MFA remains a significant constraint. MFA and its delivery partners have demonstrated good oversight and management of the portfolio and been able to respond to implementation challenges through effective adaptive management. A review of the portfolio indicates that interventions have been delivered in a broadly efficient way, but with some evidence (approximately half of interventions reviewed) reporting some level of delay and/or restructuring (particularly due to COVID-19 over the latter period of the review). The use of no-cost extensions within the portfolio nonetheless indicates a level of flexibility and



adaptive management by MFA. Capacity issues nonetheless remain, particularly as the portfolio has grown in complexity without commensurate increase in MFA resource. Capacity constraints are particularly challenging around reporting and results synthesis, development of impact narratives, mainstreaming approaches (including Paris Alignment) and multilateral influencing.

Recommendations

Going forward, the report recommends that the following actions be undertaken to ensure that Finland's climate finance becomes more effective and transparent.

There are three core recommendations relevant to the overall development of a clearer and better integrated strategy.

Firstly, and most importantly, the MFA should develop **a clearer strategy for its overall climate finance**, bringing together the various channels and instruments. The strategy should explicitly set out and prioritise objectives. These may include supporting the multilateral financial architecture, thematic specialisation (building on Finnish strengths and added value), maximising Finnish institutional engagement or supporting country-level transition. The strategy should also be clear about what is being deprioritised. Having set priorities, the strategy should recognise the relative strengths and weaknesses of different instruments, prioritising those that are most suitable. Clear positions should also be developed for emerging issues (e.g. loss and damage, climate and biodiversity linkages).

Secondly, under any new strategy, the MFA should **strengthen its approach to climate mainstreaming and Paris Alignment**. Recognising that climate action will become business as usual across development finance, the MFA should seek to maximise the climate orientation across all its domestically focussed instruments through better climate guidance, risk assessment as well as continuing to influence and enhance the Paris Alignment approaches of its partners and intermediaries (Development Finance Institutions (DFI), MDBs). Finnfund's approach offers a strong example of best practice in this regard. MFA should work alongside other government departments to build a whole of government approach of which international development finance is an integral part.

Thirdly, to inform this process of strategic refocus, the MFA should **build a deeper understanding of Finnish added value in the climate finance space**, the interest of domestic institutions to participate and the barriers to entry. Working with partners from the business, research and CSO communities, and building on existing scoping efforts, MFA should undertake a review of Finland's added-value (sectoral track record, institutional competencies, networks, and relationships) available through its public and private institutions. This should also include a realistic assessment of the interest and capacity of different Finnish stakeholders to engage (especially private sector companies), as well as the viability of different routes and barriers to entry. MFA should continue to work with its DFIs and international partners to increase the potential for Finnish participation in multilateral and DFI instruments.

Without pre-judging the direction of any evolution of strategy, there are also several operational improvements that would support the effective delivery of the climate finance portfolio going forward:



Firstly, the MFA should support **greater integration and alignment between instruments** to deliver on its strategic priorities as they are developed. This may be through more integrated thematic calls for proposals, aligning instrument funding processes and timescales, improving transparency to potential intermediaries of ongoing partnerships and activities across instruments. It should also seek to strengthen the visibility and linkages between bilateral and multilateral channels at the country level, as well as creating greater synergies between Finland's climate finance and climate diplomacy activities.

Secondly, given the significant reliance on multilateral channels and DFIs for the volume of climate finance, the MFA should enhance its capacity **to influence the priorities, ambition, and transparency of its intermediaries**, particularly in the multilateral and DFI space. Areas of focus should include a greater emphasis on development impact additionality (particularly for loan and investment operations), private finance mobilisation, innovation, climate ambition (e.g. Paris alignment) and transparency of results reporting (see below). Alongside more targeted strategies, this should also ensure those in MFA responsible for managing institutional relationships have the time and capacity to engage with the relevant partners.

Thirdly, the MFA should place greater effort into **synthesizing results and impact narratives** in support of the strategy that can improve understanding within Government, as well as anchoring greater public understanding of and support for Finland's climate finance. This will involve prioritising a core set of indicators and working to improve methodological alignment and aggregation. It also includes integrating the contribution of different instruments (both domestic and multilateral) around priority themes or objectives, improving value for money (VfM) analysis and benchmarking, as well as better articulation of transformational change (both in the global, sectoral, and country context).

Finally, to support the above, the MFA must **ensure that the strategy is properly resourced** from both a financial and human resource perspective. While in the medium term, it is unlikely that there will be significant additional resources for MFA staffing capacity, it is imperative that the MFA dedicate additional capacity particularly with regards to results management, climate mainstreaming and Paris Alignment and multilateral influencing. This is vital to increasing confidence in the value of Finland's climate finance (both internally and to the wider public). The MFA may consider options for support from the Finnish research and academic community in this regard.



Table of Key Findings, Conclusions and Recommendations

The following table summarises the findings, conclusions and recommendations from the report.

FINDINGS (F)	CONCLUSIONS (C)	RECOMMENDATIONS
<p>Finding 1. The MFA lacks a clear strategy for climate finance, but has still delivered a broadly sensible and coherent set of climate finance interventions.</p> <p>Finding 2. MFA instruments form the basis for Finland's climate finance approach, with each offering specific opportunities and constraints for strategic delivery.</p> <p>Finding 3. Finnish climate finance is strongly aligned with the Paris Agreement, and supportive of developing country needs and climate ambition.</p> <p>Finding 4. Climate finance has helped deliver wider development objectives (gender, human rights), but synergies with climate diplomacy are not well exploited.</p> <p>Finding 5. Finland provides support to a broad range of international partners, allowing them to increase the scale and ambition of their climate finance efforts.</p> <p>Finding 6. Opportunities exist for participation by Finnish stakeholders, but areas of national comparative advantage are not clear, and funding is relatively limited.</p> <p>Finding 7. MFA and its partners have managed the portfolio in an adaptive and flexible way despite global challenges and staffing constraints.</p> <p>Finding 8. Interventions are delivering climate outcomes at scale across both mitigation (GHG emission reductions) and adaptation (resilience, livelihoods).</p> <p>Finding 9. Finland's climate finance portfolio has a strong level of alignment with other development objectives such as gender and human rights.</p> <p>Finding 10. Interventions demonstrate ambition towards transformational change, with some early signals, but impacts will take time to fully emerge.</p>	<p>Conclusion 1. Strategy: The lack of overall strategy and clearly defined objectives for the climate finance portfolio reduces transparency over funding decisions, limits the discussion around the role of different instruments, and hinders attempts to measure overall progress or success. (F1, F2, F17, F18, F19)</p> <p>Conclusion 2: Relevance and Coherence: Despite the lack of strategy, Finland's programming is well aligned with multilateral objectives around climate action, responds well to developing countries' priorities, international partner expectations, and wider Finnish development objectives (e.g. gender and human rights). (F3, F4, F5)</p> <p>Conclusion 3: Mainstreaming and Paris Alignment: While climate finance is reflected across the range of development cooperation instruments, the MFA has yet to fully embrace the international shift towards Paris Alignment. More effective mainstreaming provides an opportunity to increase climate finance without the need for additional financial resources. (F1, F3, F17)</p> <p>Conclusion 4. Finnish Interests: MFA instruments provide opportunities for Finnish participation in climate finance delivery, but funding streams are relatively small, there are barriers to participation (particularly for private sector and in multi-lateral instruments), and the areas of Finland's comparative advantage are not well defined or understood. (F6, F13)</p> <p>Conclusion 5. Country level influencing: At the country level, Finland's climate finance is transitioning from bilateral programming to multilateral and domestic instrument-based approaches. In this context, it is vital to support climate mainstreaming, maintain line of sight to national climate policy discussions, and encourage coherence and visibility across different instruments. (F14)</p>	<p>Recommendation 1. Develop overall strategy for Climate Finance: Create a clearer and more integrated strategy for climate finance. This should clearly state the goals considering the resources available, prioritise funding based on clear objectives, and understand the linkages between policy goals and different MFA instruments. (C1)</p> <p>Recommendation 2. Improve approach to Paris Alignment: Offer clear guidance on integrating climate considerations across all MFA finance instruments, ensuring they align with the Paris Agreement. This guidance should be integrated into the overall climate finance strategy and align with the MFA approach to climate finance reporting. (C3)</p> <p>Recommendation 3: Strengthen linkages with Finnish institutions and interests: Undertake further consultation with Finnish partners and build clusters around areas of Finnish comparative advantage and interest. Identify funding channels to enhance engagement (particularly with the private sector) and integrate into overall climate finance strategy. (C4)</p> <p>Recommendation 4: Structure instruments around priority themes or geographies: Explore opportunities to integrate and align funding instruments towards specific thematic or regional priorities, including creating common funding windows, and promoting partnerships between different types of organisation (research, CSO, private sector). (C1)</p>



FINDINGS (F)	CONCLUSIONS (C)	RECOMMENDATIONS
<p>Finding 11. Efforts have been made to create sustainable outcomes by building local capacity, securing long term finance and supporting commercial markets.</p> <p>Finding 12. MFA approaches to private capital mobilisation are evolving from transaction-based to more market and development impact focus.</p> <p>Finding 13. Domestic participation has been strong for CSOs and research institutions, but more challenging for the private sector and within multilateral instruments.</p> <p>Finding 14. It is difficult to bring together the Finnish offer at the country level due to the range of instruments used, and the high reliance on multilateral channels.</p> <p>Finding 15. Finland is viewed as a pro-active international partner, with high levels of influence, particularly on climate-development linkages.</p> <p>Finding 16. There are significant methodological and resourcing challenges in building an integrated result narrative for climate finance, particularly given staffing constraints in MFA.</p> <p>Finding 17. A number of emerging trends (e.g. Paris Alignment, loss and damage, nature and bio-diversity linkages) will likely shape future strategy development.</p> <p>Finding 18. Peer donors facing the same challenges are developing their own niche in terms of sectors and instruments.</p> <p>Finding 19. Finland has the opportunity to create a more focussed and 'right-sized' climate finance offer, reflecting Finnish capacity and strengths.</p>	<p>Conclusion 6. Multi-lateral influencing: Finland is well regarded as a small but supportive partner in the international climate finance arena, with a particular strength in promoting stronger climate-social equity linkages. Further influencing opportunities exist to improve multilateral approaches to additionality, development impact and consistency of reporting. (F5, F15)</p> <p>Conclusion 7. Results narrative: Climate and wider development results are not well captured across the portfolio and could be better synthesised into clear and compelling narratives. The absence of a clear strategy reduces the ability of the MFA to frame achievements around strategic priorities, leaving funding decisions around climate finance politically exposed. (F8, F9, F12, F16)</p> <p>Conclusion 8. Transformational change: Many interventions show ambition towards, and emerging signals of transformational change. However, pathways to transformation are poorly described (particularly around development policy investments and the private sector) and could be better monitored over time. (F10, F11)</p> <p>Conclusion 9: MFA staffing and capacity constraints: MFA and partners have shown strong portfolio oversight and management, adapting flexibly to challenges like COVID-19. However, ongoing MFA staffing and capacity constraints, alongside other MFA operational demands, reduce the organisation's ability to engage on important areas such as strategy formulation, project origination, reporting and results, Paris Alignment and multilateral influencing. (F7)</p>	<p>Recommendation 5. Enhance multilateral influencing: Strengthen MFA capacity to influence and improve climate operations of bilateral and multilateral partners through clearer guidance and resourcing. Influencing should focus on improving Paris Alignment, raising ambition on development impact (climate resilience, lower income), strengthening additionality and private capital mobilisation, leveraging Finnish expertise and enhancing transparency of results and reporting. Incorporate this into any climate finance strategy. (C5, C6, C8)</p> <p>Recommendation 6. Strengthen MFA focus on climate narrative and results: Put a greater focus on narratives and results, including providing the necessary resources for analysis and integration of reporting around strategic themes across instruments. Review opportunities for external support from Finnish research community. Include a plan and guidance on reporting on impact in any climate finance strategy. (C7, C8)</p> <p>Recommendation 7. Align resources with strategy: Ensure that MFA capacity aligns with strategic goals, ensuring sufficient resources for key operational objectives (Paris Alignment and mainstreaming, multi-lateral influencing, results synthesis and reporting). Include a plan and guidance on resourcing, including possible outsourcing, in any climate finance strategy. (C9)</p>



Yhteenveto

Johdanto

Suomen kansainvälisen ilmatorahituksen hankekokonaisuuden 2016-2022 arviointi arvioi ulkoministeriön (UM) lähestymistavan tarkoituksenmukaisuutta ja johdonmukaisuutta kansainvälisiin ilmatorahituksen tavoitteisiin ja toimijoihin nähden. Lisäksi arvio pyrki tunnistamaan vuosien 2016-2022 aikana saavutetut tulokset ja antamaan suosituksia Suomen kansainvälisen ilmatorahituksen toimintasuunnitelman kehittämiseen tulevaisuudessa.

Arviointi perustuu laajaan näyttöön. Arviointia varten on tarkasteltu yli 500 hankkeen hankesalkku ja tehty tarkempi arviointi 49 hankkeesta, jotka edustavat yli 70% hankesalkun arvosta. Lisäksi arvioinnissa tehtiin vertaisarvio ja trendikartoitus, sekä yli 100 sidosryhmähaastattelua. Arviointi kattaa kaikki hankkeet, jotka on luokiteltu OECD:n kehitysyhteistyökomitean (DAC) Rio Marker -raportointijärjestelmän mukaan ilmatorahitukseksi mukaan lukien sekä ilmatorahitukseksi tarkoitettu rahoitus, että sellaisen laajemman hankesalkun rahoitus, jonka UM on katsonut tukevan ilmastotavoitteita.

Arviointikysymykset

Arvioinnissa pyrittiin vastaamaan seuraaviin kolmeen kysymykseen.

1. Missä määrin Suomen kansainvälinen ilmatorahitus on tarkoituksenmukaista ja johdonmukaista kansallisten ja maailmanlaajuisten kehitys- ja ilmastoagendojen kanssa, sekä toimien kohteena olevien omien prioriteettien kanssa?
2. Missä määrin Suomen ilmatorahitus-hankekokonaisuus on tuottanut tuloksia vuosina 2016–2022?
3. Miten Suomi voi seuraavan viiden vuoden aikana kehittää ilmatorahituksen toimintasuunnitelmaansa, jotta se säilyy tarkoituksenmukaisena, uskottavana, vaikutusvaltaisena ja vaikuttavana?

Pääasialliset löydökset ja johtopäätökset

Suomen ilmatorahitus koostuu laajasta ja usein hajanaisesta joukosta toimenpiteitä, jotka tehdään laajan rahoitusinstrumenttivalikoiman kautta ja joissa kussakin keskitytään ilmastotuloksiin eritasoisesti. Vuosien 2016-2021 aikana Suomi sitoutui noin 664 miljoonan euron ilmatorahitukseen, josta puolet oli lahjarahaa ja puolet lainoja/sijoituksia. Huolimatta rahoituksen mittakaavasta, suhteessa maan talouteen, väestöön ja historiallisiin päästöihin, Suomen rahoituksen tason arvioidaan edelleen olevan alle sen ”reilun osuuden”. Arviointi löysi yli 500 erilaista hanketta ja ilmatorahitus jakautuu useille eri kanaville. Nämä kanavat vaihtelevat suurista



monenvälisistä toimijoista, kuten Green Climate Fund, kotimaisiin instrumentteihin, jotka tarjoavat hankerahoitusta suomalaisille toimijoille (kansalaisjärjestöt, tutkimuslaitokset, yksityinen sektori) ilmastoon liittyvien hankkeiden toteuttamiseen. Suurin osa rahoituksesta kulkee monenkeskisten toimijoiden ja Finnfundin kautta.

Suomelta on puuttunut selkeää ja kattavaa strategiaa kansainvälisen ilmastorahoituksen priorisoinnille ja jakautumiselle, mikä on johtanut siihen, että rahoituksen muotoutuminen on suurelta osin riippunut ulkoministeriön instrumenteista ja prosesseista. Strategian puuttuessa Pariisin ilmastosopimus on toiminut yleisenä ohjaavana kehyksenä. Ilmastorahoituksen kohdentamiseksi on myös luotu ohjaavia periaatteita, esimerkiksi keskittyminen Afrikkaan ja vähiten kehittyneisiin maihin, ja rahoituksen kohdentamistavoitteita, esimerkiksi 50-50-jako ilmastomuutokseen sopeutumisen ja ilmastomuutoksen haittojen lieventämisen välillä. Evaluoinnin tarkastelujakson aikana on siirrytty kohti ei-tukimuotoisia instrumentteja johtuen poliittisista päätöksistä olla lisäämättä kehitysyhteistyön määrärahoja. Rahoitusta on myös kanavoitu enenevästi monenvälisen järjestöjen kautta, osittain pyrkien kohti suurempaa mittakaavaa ja vaikuttavuutta ja osittain koska henkilöresursseja ei ole ollut kahdenvälisen ilmastorahoitusohjelmien kehittämiseen ja toteuttamiseen. Suomalaisen asiantuntemuksen hyödyntäminen ja yksityisen sektorin kehityksen ja rahoituksen edistäminen ovat myös vaikuttaneet rahoituspäätöksiin.

Suomen ilmastorahoitustoimenpiteet ovat hyvin linjassa kansainvälisen ilmastopolitiikan tavoitteiden, kehitysmaiden tarpeiden ja kumppaneiden odotusten kanssa. Yhteistyö monenvälisen järjestöjen kanssa on Suomen kansainvälisten ilmastotoimien ytimessä ja suurin osa rahoituksesta kanavoidaan niiden kautta. UM:n toimenpiteet ovat linjassa suurten maailmanlaajusten sitoumusten kanssa, jotka on määritelty Pariisin ilmastosopimuksessa ja YK:n ilmastokehityksessä (UNFCCC). Ne ovat myös vahvasti linjassa kehitysmaiden politiikkatavoitteiden ja prioriteettien kanssa kuten esim. kansallisesti määritellyt sitoumukset, nettonollausveloitteet, sopeutumissuunnitelmat ja muut sektorikohtaiset tavoitteet. Laajemmat kehitystavoitteet, kuten sukupuolten välinen tasa-arvo ja ihmisoikeudet, näkyvät myös hankesalkussa kattavasti. Priorisoinnin puuttuessa UM on pyrkinyt tarjoamaan 'kokonaispalvelu' -lähestymistapaa, kuten useimmat (usein suuremmat ja paremmin resurssoidut) rahoittajat, pyrkien käsittelemään laajaa kirjoa sektorikohtaisia haasteita erilaisten rahoitusinstrumenttien yhdistelmällä.

Käytettävissä olevien rahoitusinstrumenttien valikoima vaikuttaa siihen, miten UM:n ilmastopoliittiset painotukset toteutetaan, ja kullakin instrumentilla on omat erityiset etunsa ja rajoituksensa. Esimerkiksi suurempien monenvälisen alustojen kautta tapahtuva rahoitus voi tarjota mittakaavaa ja vaikuttavuutta, mutta tulokset voivat joskus olla hitaita ja vähemmän läpinäkyviä. Monenvälisen alustojen rakenne ja toimintamallit luovat myös haasteita suomalaisten toimijoiden osallistumiselle. Kansalaisjärjestöjen hankkeita rahoittavat instrumentit ovat joustavampia ja keskittyvät usein pienimuotoisiin, yhteisöihin linkittyviin hankkeisiin, jotka käsittelevät sopeutumista ja haavoittuvia alueita. Kehityspoliittiset investoinnit kohdistuvat usein kaupallisempiin sektoreihin (kuten uusiutuva energia) markkinoilla, joilla on korkeampi yhteiskunnallinen ja taloudellinen kehitystaso, ja usein niissä keskitytään enemmän transaktioihin ja hanke-aihioiden kehittelyyn kuin laajempaan toimintaympäristön tai markkinoiden kehitykseen. Yksi koko ei sovi kaikille, ja tiettyjen politiikkapainotusten toteuttaminen edellyttää erilaisten instrumenttien yhdistelmiä.

Ilmastopainotuksen taso instrumenteissa riippuu UM:n asettamista tavoitteista ja ilmastonäkökulman valtavirtaistamisen lähestymistavasta. Osa instrumenteista pyrkii yksinomaan tai erityisesti juuri ilmastotavoitteisiin (esim. panostukset ilmastorahastoihin) tai niillä on selkeät ilmastorahoitustavoitteet (esim. 75% kehityspoliittisista investoinneista). Osa instrumenteista sen sijaan keskittyy 'valtavirtaistamiseen', mikä on vahvasti riippuvaista UM:n instrumenttiin kohdistuvasta ohjeistamisesta. Jälkimmäinen lähestymistapa on tyyppinen kotimaahan suuntautuneille



instrumenteille (kansalaisjärjestöt, institutioiden välinen yhteistyö ja yksityinen sektori), joissa ei ole selkeitä ilmastotavoitteita tai ohjausta ja joissa ilmastorahoitus tunnustetaan Rio Marker -arvioinnin kautta. Tällaisissa tapauksissa ilmastorahoituksen taso riippuu suuresti suomalaisten organisaatioiden kiinnostuksesta ja panostuksesta. Ulkoministeriö ei ole myöskään vielä täysin sisäistänyt muutosta Pariisin ilmastopimuksen toimeenpanossa, jossa tarvitaan nyt paljon aiempaa aloitteellisempaa ja aktiivisempaa otetta ilmastomuutoksen valtavirtaistamiseen kaikkeen kehitysyhteistyöhön.

Suomen ilmastorahoitustoimenpiteet ovat tuottaneet laajoja ja monipuolisia ilmasto- ja kehityshyötyjä, mutta tulosten koostamisessa ja viestimisessä ei ole onnistuttu kovin hyvin.

Tuloksia saadaan erilaisista sektorikohtaisista hankkeista (energia, vesi, maatalous ja metsätalous) ja ne koostuvat esimerkiksi kasvihuonekaasupäästöjen vähentämisestä, puhtaan energiatuotannon lisäämisestä ja maan ja metsien kestävästä käytöstä. Suomi saavuttaa nämä tulokset pääasiassa sijoittamalla monenvälisiin rahastoihin ja erityisten rahoitusvälineiden avulla. On myös näyttöä ja alustavia merkkejä pitkäaikaisista transformatiivisista muutoksista, kuten perustavaa laatua olevat järjestelmämuutokset, ja siitä, että onnistuneita pilotteja tai demonstraatioita voidaan toistaa ja laajentaa. Kuitenkin yhtenäisen kertomuksen esittäminen Suomen ilmastorahoituksesta on haasteellista. Raportointi on epä johdonmukaista, erityisesti valtavirtaistetuissa hankkeissa. Tuloksia on myös vaikea yhdistää hankesalkkutasolla. Syitä tähän ovat kumppaneiden käyttämät erilaiset raportointimenetelmät, haasteet tulosten kokoamisessa yhteen monenvälisistä rahastoista, joissa Suomi on pieni rahoittaja, sekä pitkät aikajaksot, joilla ilmastotulokset ilmenevät (usein hankereportointiaikoja pidemmät). Lisäksi kokonaisvaltaisen strategian puuttuminen, hankesalkun pirstaleisuus ja UM:n rajalliset resurssit vaikeuttavat ministeriön kykyä viestiä saavutuksista ja rakentaa poliittista tukea Suomen ilmastorahoitukselle.

Rahoitusinstrumenttien laaja valikoima mahdollistaa suomalaisen asiantuntemuksen ja kilpailukyvyyn hyödyttämisen mutta yksityisen sektorin sitouttaminen mukaan toimintaan on edelleen vaikeaa.

Institutioiden väliseen yhteistyöhön ja kansalaisjärjestöjen osallistumiseen suunnatut instrumentit ovat erityisen onnistuneesti hyödyntäneet suomalaista asiantuntemusta ja rakentaneet hankkeita varhaisen varoittamisen (ympäristökatastrofeissa), katastrofiriskien vähentämisen, sekä maa- ja metsätalouden ympärille. Suomen ilmastorahoitus kattaa myös monia toimijoita, jotka sijaitsevat Suomessa (esim. Finnfund, Nordic Development Fund Energy and Environment Partnership) ja joita suomalaisetkin toimijat voivat työssään hyödyntää. Yksityisen sektorin osallistaminen ilmastorahoitustoimiin (esim. Public Sector Investment Facility, DevPlatin tai Finnpartnershipin kautta) on kuitenkin ollut haastavaa. Yrityksiltä saattaa puuttua mielenkiinto aiheeseen tai niissä ajatellaan, että oppimisen kustannushyöty olisi huono tai niiden ja instrumentin välillä on hankkeen mittakaavaan liittyvää ratkaisevaa erilaisuutta. Yhä suurempi painotus monenvälisen rahoitusvälineiden käyttöön on myös luonut laajempia esteitä suomalaisten toimijoiden osallistumiselle (hankintasääntöjen takia), vaikka UM onkin tehnyt merkittäviä ponnisteluja tietoisuuden parantamiseksi, erityisesti kehityspoliittisten investointiensä yhteydessä.

UM nähdään yhteistyöhakuisena ja sitoutuneena kumppanina ilmastorahoituksessa, erityisesti ilmasto- ja kehitystavoitteiden välisen yhteyden edistämiseksi, mutta ilmastorahoituksen ja ilmastodiplomatian välistä yhteistyötä voisi vahvistaa.

Suomen tuki suurille ilmastorahastoille ja muille monenvälisille toimijoille tuo Suomelle mahdollisuuksia vaikuttaa monenvälisissä järjestöissä ja diplomatiassa. Toistaiseksi Suomi on onnistunut vaikuttamaan monenvälisen kumppanien lähestymistapaan, erityisesti ilmasto- ja kehitystavoitteiden välisen yhteyden kuten esim. sukupuolten välinen tasa-arvo ja ihmisoikeudet osalta. Suomea ei kuitenkaan pidetä erityisen innovatiivisena kumppanina itse ilmastomuutoksen suhteen (esim. ilmastorahoitusinstrumenttien osalta). Ilmastorahoituksen rinnalla Suomi on onnistuneesti käynnistänyt ja osallistunut kansainvälisiin ilmastodiplomatian ja politiikan aloitteisiin. Ilmastodiplomatian ja ilmastorahoituksen välillä on kuitenkin ollut vain vähän



vuorovaikutusta. Toisinaan ilmastopolitiikan vaikutusmahdollisuudet menetetään maatasolla, missä toimenpiteet ovat pääasiassa sektorikohtaisia (esim. metsätalous), ja on haastavaa yhdistää kahdenvälistä ja monenkeskistä yhteistyötä johdonmukaisella ja vaikuttavalla tavalla.

Vaikka Suomen kansainvälisen ilmatorahoituksen hankesalkku on hallinnoitu tehokkaasti, UM:n resurssien niukkuus on merkittävä rajoite. UM ja sen kumppanit ovat onnistuneet hankesalkun hallinnoinnissa ja kyenneet reagoimaan haasteisiin tehokkaasti noudattaen mukautuvan ohjauksen (adaptive management) periaatteita. Evaluoinnissa tehty hankesalkun analyysi osoittaa, että hankkeet on toteutettu melko tehokkaasti, mutta osassa hankkeita (noin puolessa tarkasteluista) on esiintynyt jonkin verran viivästymisiä ja/tai uudelleenjärjestelyjä (erityisesti COVID-19:n vuoksi tarkastelujakson loppuvaiheessa). Hankkeiden ajallinen jatkaminen ilman uusia tavoitteita ja resursseja kuitenkin osoittaa, että UM on joustava ja kykenevä mukautuvaan ohjaukseen. Ministeriöllä on kuitenkin edelleen henkilövajausta, erityisesti koska hankesalkku on kasvanut ilman vastaavaa lisäystä UM:n resursseissa. Resurssipula vaikuttaa negatiivisesti erityisesti raportointiin ja tulosten yhteenvetoon, vaikuttavuudesta viestimiseen ja valtavirtaistamisen kehittämiseen (ml. Pariisin ilmastopimuksen uuteen linjaan sopeutuminen) sekä monenväliseen vaikuttamiseen.

Suosituksset

Selvityksessä suositellaan, että seuraaviin toimenpiteisiin ryhdytään Suomen kansainvälisen ilmatorahoituksen tehostamiseksi ja läpinäkyvyyden parantamiseksi.

Kolme ydinsuositusta liittyvät selkeämmän ja paremmin integroidun strategian kehittämiseen:

UM:n tulee kehittää selkeämpi strategia kansainväliselle ilmatorahoitukselle, katkaen kaikki sen kanavat ja instrumentit. Strategiassa tulee määritellä ja priorisoida ilmatorahoituksen tavoitteet. Näitä voivat olla monenvälisen rahoitusarkkitehtuurin tukeminen, temaattinen erikoistuminen (hyödyntäen suomalaisia vahvuuksia ja lisäarvoa), suomalaisen institutionaalisen osallistumisen maksimointi tai maatasolla tapahtuvan siirtymän tukeminen. Strategian tulee myös selkeästi esittää, mitä asioita ei painoteta. Kun painopisteet on asetettu, strategian tulee tunnistaa eri instrumenttien suhteelliset vahvuudet ja heikkoudet, ja priorisoida ne, jotka ovat kaikkein sopivimpia. Strategiassa tulisi tehdä linjauksia myös mahdollisiin esiin nouseviin kysymyksiin kuten esimerkiksi vahingonkorvaus-asiat sekä ilmastomuutoksen ja biodiversiteetin väliset yhteydet.

UM:n tulee uuden strategian myötä **vahvistaa lähestymistapaansa ilmastomuutoksen valtavirtaistamiseen ja Pariisin ilmastopimuksen linjaukseen.** Ilmastotoimet tulee nostaa tehokkaammin osaksi kaikkea kehitysrahoitusta. UM:n tulee pyrkiä maksimoimaan ilmastosuuntautuneisuus kaikissa kotimaisiin toimijoihin keskittyvissä instrumenteissaan. Tämä voidaan tehdä parantamalla ilmastomuutokseen liittyvää ohjausta ja riskinarviointia. UM:n tulee myös vaikuttaa ja parantaa kumppaneidensa (kehitysrahoituslaitokset, monenväliset kehitysrahoituspankit) lähestymistapaa Pariisin ilmastopimukseen. Finnfundin lähestymistapa tarjoaa vahvan esimerkin parhaista käytännöistä tässä suhteessa. UM:n tulisi toimia yhdessä muiden valtionhallinnon toimijoiden kanssa rakentaakseen kokonaisvaltaisen suomalaisen lähestymistavan kansainväliseen ilmatorahoitukseen ja kehitysrahoituksen tulisi olla sen olennainen osa.

Tämän strategisen uudelleen suuntaamisen tueksi UM:n tulisi **syventää ymmärrystään Suomen lisäarvosta ilmatorahoituksen alalla** selvittämällä kotimaisten instituutioiden



kiinnostusta osallistua sekä mahdollisista esteistä osallistumiselle. UM:n tulisi analysoida Suomen erityinen lisäarvo (sektorikohtainen historia, institutionaalinen osaaminen, verkotot ja suhteet) yhteistyössä liike-elämän, tutkimuslaitosten ja kansalaisjärjestöjen kanssa sekä olemassa olevia selvityksiä hyödyntäen. Analyysiin tulisi sisältyä realistinen arvio suomalaisten sidosryhmien kiinnostuksesta osallistua (erityisesti yritykset), eri osallistumistapojen toteuttamiskelpoisuudesta ja niihin liittyvistä esteistä. UM:n tulisi jatkaa yhteistyötä kehitysrahoituslaitosten ja kansainvälisten kumppaneidensa kanssa lisätäkseen suomalaisen osallistumisen mahdollisuuksia.

Seuraavat parannukset tukisivat kansainvälisen ilmatorahoituksen hankesalkun tuloksellisuutta tulevaisuudessa:

Ensin, UM:n tulisi varmistaa **instrumenttien parempi integraatio ja yhdensuuntaisuus** strategisten prioriteettien toteuttamiseksi. Tämä voidaan tehdä esim. temaattisten, instrumenttien välisten yhteisten rahoitushakukierrosten kautta, yhdenmukaistamalla instrumenttien rahoitusprosesseja ja -aikatauluja sekä parantamalla tiedon jakamista kumppanuuksista ja toiminnasta eri instrumenttien välillä. Lisäksi tulisi pyrkiä vahvistamaan näkyvyyttä ja yhteyksiä kahdenvälisen ja monenvälisen kanavien välillä maatasolla sekä luomaan synergioita Suomen ilmatorahoituksen ja ilmastodiplomatian toimintojen välille.

Toiseksi, ottaen huomioon merkittävän tukeutumisen monenvälisiin toimijoihin ja kehitysrahoituslaitoksiin ilmatorahoituksen kanavoinnissa, UM:n tulisi vahvistaa kykyään **vaikuttaa** kumppaniensa, erityisesti monenvälisen järjestöjen ja kehitysrahoituslaitosten, **painopisteisiin, kunnianhimon ja läpinäkyvyyteen**. Huomiota tulisi kiinnittää kehitysvaikutuksien saavuttamiseen (erityisesti laina- ja sijoitusoperaatioissa), yksityisen rahoituksen mobilisointiin, innovaatiotoimintaan, kunnianhimon lisäämiseen ilmastotoimissa (esimerkiksi Pariisin sopimukseen mukautuminen) ja tulosten raportoinnin läpinäkyvyyteen. Kohdennettujen vaikuttamis-strategioiden lisäksi UM:n tulisi varmistaa, että vastuuhenkilöillä, jotka hallinnoivat rahoitusta, on aikaa ja mahdollisuuksia vuorovaikutukseen kumppaneiden kanssa.

Kolmanneksi UM:n tulisi panostaa enemmän **tulosten ja vaikutusten yhteenvedoon ja viestimiseen**. Tulosten kattavampi esittäminen voisi parantaa ymmärrystä aiheesta valtionhallinnossa ja poliittisessa johdossa sekä vahvistaa kansallista ymmärrystä ja tukea Suomen ilmatorahoitukselle. Tämä edellyttää toiminnan ja seurannan priorisointia ja seurannan ja raportoinnin menetelmällistä yhteensovittamista, ja kokonaisarvioinnin parantamista. Tulosten yhteenvedoon sisältyy myös eri instrumenttien integroiminen prioriteetti-teemoihin tai tavoitteisiin, kustannus-hyöty-analyysin parantaminen sekä transformatiivisen muutoksen parempi sanoitus (sekä siltä osin mitä saadaan aikaiseksi kansainvälisesti että sektoritasolla ja maakohtaisesti).

Lopuksi UM:n on **varmistettava, että kansainvälisen ilmatorahoituksen strategia resurssoidaan asianmukaisesti** myös henkilöresurssien näkökulmasta. Vaikka keskipitkällä aikavälillä on epätodennäköistä, että UM saa merkittäviä lisäresursseja henkilöstökapasiteetin osalta, on välttämätöntä, että UM panostaa erityisesti tulosten seurantaan ja koostamiseen, ilmastonmuutoksen tehokkaampaan valtavirtaistamiseen ja Pariisin ilmastopimuksen linjaan sopeutumiseen sekä monenväliseen vaikuttamiseen aiempaa enemmän. Tämä on välttämätöntä, jotta luottamus Suomen ilmatorahoituksen arvoon (sekä sisäisesti että laajemman yleisön keskuudessa) lisääntyy. UM voisi harkita tuen etsimistä näihin toimiin esimerkiksi Suomen tutkimus- ja akateemiselta yhteisöltä.



Keskeiset löydökset, johtopäätökset ja suositukset

Seuraava taulukko tiivistää raportin löydökset, johtopäätökset ja suositukset.

LÖYDÖKSET (L)	JOHTOPÄÄTÖKSET (J)	SUOSITUKSET
<p>Löydös 1. Strategisen viitekehyksen puutteesta huolimatta UM:n kansainvälisen ilmatorahoituksen hankesalkku on laajalti yhtenäinen ja järkevä.</p> <p>Löydös 2. Käytettävissä olevien rahoitusinstrumenttien valikoima vaikuttaa siihen, miten UM:n ilmastopoliittiset painotukset toteutetaan, ja kullakin instrumentilla on omat erityiset etunsa ja rajoituksensa.</p> <p>Löydös 3. Suomen ilmatorahointi on linjassa Pariisin ilmastopimuksen kanssa ja vastaa kehitysmaiden ilmastotarpeisiin ja -prioriteetteihin.</p> <p>Löydös 4. Suomen ilmatorahointi on edistänyt muiden kehityspoliittisten tavoitteiden saavuttamista (esimerkiksi sukupuolten välinen tasa-arvo, ihmisoikeudet), mutta ilmastodiplomatia-yhteyksiä ei ole hyödynnetty yhtä hyvin.</p> <p>Löydös 5. Suomi tukee suurta valikoimaa kansainvälisiä kumppaneita ja osallistuu näiden kautta laajempien ja kunnianhimoisempien ilmastopäämäärien tavoitteluun.</p> <p>Löydös 6. Suomen ilmatorahointi tarjoaa valikoiman välineitä, joiden avulla kotimaiset institutiot voivat osallistua, mutta Suomi ei ole määritellyt kilpailuvalttiaan selkeästi ja rahoitus on rajallista.</p> <p>Löydös 7. Maailmanpoliittisen tilanteen mukanaan tuomissa haasteissa ja resurssien rajallisuus huomioiden, UM ja sen kumppanit ovat olleet joustavia ja harjoittaneet mukautuvaa ohjausta ilmatorahoituksen hankesalkun osalta.</p> <p>Löydös 8. Hankkeet saavuttavat laajojakin tuloksia sekä sopeutumisen (kasvihuonekaasupäästöjen vähennykset) että lieventämisen (resilienssi, elinkeinot) saralla.</p>	<p>Johtopäätös 1. Strategia: Suomella ei ole selkeää strategiaa ja tavoitteita kansainväliselle ilmatorahoitukseen ja strategian puuttuminen vähentää rahoituspäätösten läpinäkyvyyttä, rajoittaa instrumenteista käytävää keskustelua ja vaikeuttaa tavoitteiden saavuttamisen mittaamista. (L1, L2, L17, L18, L19)</p> <p>Johtopäätös 2. Tarkoituksenmukaisuus ja johdonmukaisuus: Strategian puuttumisesta huolimatta, Suomen hankesalkku on hyvin linjassa monenvälisen toimijoiden ilmastotavoitteiden kanssa ja vastaa hyvin kehitysmaiden painopisteisiin, kansainvälisten kumppaneiden odotuksiin sekä Suomen kehityspoliittikan tavoitteisiin erityisesti sukupuolten välisen tasa-arvon ja ja ihmisoikeuksien osalta. (L3, L4, L5)</p> <p>Johtopäätös 3. Valtavirtaistaminen ja Pariisin ilmastopimus: Suomen ilmatorahoituksessa on huomattava määrä valtavirtaistamista, mutta UM ei ole vielä täysin sisäistänyt kansainvälisen ilmatorahoituksen linjaamista Pariisin sopimukseen. Tuloksekkaampi valtavirtaistaminen mahdollistaa ilmatorahoituksen määrän kasvun ilman tarvetta rahan lisäämiselle. (L1, L3, L17)</p> <p>Johtopäätös 4. Lisäarvo suomalaisille toimijoille: Suomalaiset instrumentit tarjoavat mahdollisuuksia kotimaisille instituutioille osallistua, mutta rahoitus on rajallista, osallistumiselle on esteitä (erityisesti yrityksille ja monenväliseen yhteistyöhön), ja Suomi ei ole määritellyt kilpailuvalttiaan selkeästi ja ymmärrettävästi. (L6, L13)</p>	<p>Suositus 1. Kehitä selkeämpi strategia ilmatorahoitukseen: Laadi selkeämpi ja integroidumpi strategia, jossa määritellään selvästi tavoitteet (heijastaen käytettävissä olevia resursseja), rahoituksen kohdentamisen priorisointi tavoitteiden perusteella ja tavoitteiden ja käytössä olevien instrumenttien välinen suhde. (J1)</p> <p>Suositus 2. Kehitä Pariisin ilmastopimuksen linjautumista: Tarjoa selkeää ohjeistusta valtavirtaistamiseen ydinstrategiana, joka tukee Pariisin ilmastopimuksen linjautumista. Laadi ohjeistus osaksi ilmatorahointi-strategiaa ja linjaan UM:n ilmatorahointiraportoinnin kanssa. (J3)</p> <p>Suositus 3. Vahvista suomalaista lisäarvoa: Konsultoi suomalaisia toimijoita ja kehitä klustereita, jotka heijastavat Suomen vahvuuksia ja intressejä. Osoita toimijoille (erityisesti yksityissektorille) rahoituslähteitä ja sisällytä nämä ilmatorahointi-strategiaan. (J4)</p> <p>Suositus 4. Integroi instrumentit strategiassa priorisoituihin teemoihin tai maantieteellisiin sijainteihin: Edistä integroitua ohjelmointia ja liitä instrumentit prioriteetti-teemoihin tai -maihin/alueisiin. Luo instrumenttien välisiä yhteisiä rahoitussikkunoita tai -hakukierroksia, ja tue erityyppisten toimijoiden välistä yhteistyötä (tutkimuslaitokset, kansalaisjärjestöt, yksityissektori). (J1)</p>



LÖYDÖKSET (L)	JOHTOPÄÄTÖKSET (J)	SUOSITUKSET
<p>Löydös 9. Suomen ilmatorahaus on hyvin linjassa muiden kehityspoliittisten tavoitteiden, sukupuolten välinen tasa-arvo ja ihmisoikeudet, kanssa.</p> <p>Löydös 10. Kunnianhimoisimmat hankkeet tavoittelevat transformatiivisia muutoksia ja alustavia merkkejä niiden mahdollisesta saavuttamisesta on, mutta niiden täysi saavuttaminen on hidasta.</p> <p>Löydös 11. Tulosten kestävyttä on pyritty parantamaan panostamalla paikalliseen osaamiseen, pitkäjänteisen rahoituksen avulla ja tukemalla paikallisen markkinan kehittymistä.</p> <p>Löydös 12. UM:n painotus yksityissektorin rahoituksen mobilisoinnissa on hiljalleen siirtymässä transaktio-keskeisyydestä kohti markkina- ja kehitysvaikutus-keskeisyyttä.</p> <p>Löydös 13. Suomalaisten kansalaisjärjestöjen ja tutkimuslaitosten osallistuminen on ollut laajaa, mutta yritysten rajallisempaa, eikä monenväliseen yhteistyöhön mukaan pääsemiseen ole löytynyt väyliä.</p> <p>Löydös 14. Suomalaisten, eri toimijoiden yhteisen, ratkaisun tarjoaminen maatasolla on vaikeaa, koska toimijoita tuetaan erilaisin instrumentein ja valtaosa rahoituksesta menee monenvälisen toimijoiden kautta.</p> <p>Löydös 15. Kansainvälisesti Suomi nähdään aloitteellisena toimijana, joka käyttää merkittävää vaikutusvaltaa, erityisesti ilmasto- ja kehitystavoitteiden yhteensovittamisessa.</p> <p>Löydös 16. Suomen 'ilmatorahauksen tarinan kertomisessa' on haasteita, jotka johtuvat yhtäältä tulosraportoinnin metodologisista heikkouksista ja toisaalta UM:n henkilöresurssien puutteesta.</p> <p>Löydös 17. Ilmatorahauksen nousevat trendit (esim. Pariisin ilmastosopimukseen linjautuminen, menetykset ja vahingot, luonto- ja biodiversiteettiyhteys) tulevat osaltaan vaikuttamaan Suomen ilmatorahaus-strategian muodostukseen.</p> <p>Löydös 18. Suomen verrokkimaat painiskelevat ilmatorahaus-hankesalkkujensa osalta samanlaisten haasteiden kanssa kuin Suomi ja raivaavat kukin itselleen omaa tonttia sektori- ja instrumenttivalikoimaan pohjautuen.</p> <p>Löydös 19. Suomen on mahdollista luoda omiin osaamisalueisiinsa ja vahvuuksiinsa pohjautuva keskitetympi ja itselleen sopivamman laajuinen kansainvälisen ilmatorahauksen hankesalkku.</p>	<p>Johtopäätös 5. Vaikuttaminen maatasolla: Kumppanimaiden tasolla Suomen ilmatorahaus siirtyy kahdenvälisestä ohjelmoinnista kohti monenvälistä ja yksityissektoriin painottuvaa. On kasvava tarve varmistaa, että ilmastonmuutoksen valtavirtaistaminen on tuloksekasta, Suomi pystyy edelleen seuraamaan kumppanimaan julkista ja poliittista ilmastokeskustelua, ja Suomen instrumentit pelaavat paremmin ja näkyvämmiin yhteen. (L14)</p> <p>Johtopäätös 6. Monenvälinen vaikuttaminen: Suomi nähdään pienenä, mutta johdonmukaisena ja tukevana kumppanina, jonka erityisvahvuus on ilmasto- ja eriarvoisuuden vähentämistavoitteiden yhteensovittamisessa. Vaikutusmahdollisuuksia olisi myös monenvälisen toimijoiden rahoituksen lisäisyyden, kehitysvaikutusten ja raportoinnin yhteismitallisuuden kehittämisen sarjoilla. (L5, L15)</p> <p>Johtopäätös 7. Tuloksista kertominen: Ilmasto- ja kehitystulosten raportointi vaihtelee instrumenttien ja hankkeiden välillä. Tulosten kokoamista ja esittämistä kootusti, tulos-tarinan ja vaikuttavuus-tarinoiden kautta, kannattaisi kehittää. Strategian puuttuminen vähentää UM:n mahdollisuutta kertoa ilmatorahaus-hankkeiden saavutuksista tavoitteita vasten ja altistaa rahoituspäätökset poliittiselle vaikuttamiselle ja väärymmärrykselle. (L8, L9, L12, L16)</p> <p>Johtopäätös 8. Transformaatiovaikutus: Kunnianhimoisimmat hankkeet tavoittelevat transformatiivisia muutoksia ja alustavia merkkejä niiden mahdollisesta saavuttamisesta on. Samalla transformatiivisia muutospolkuja ei ole selkeästi esitetty (erityisesti kehityspoliittisten sijoitusten ja yksityisen sektorin osalta) ja hankkeiden seuranta on heikkoa. (L10, L11)</p> <p>Johtopäätös 9. Ulkoministeriön henkilöstö ja henkilöresurssipuute: UM ja sen kumppanit ovat onnistuneet hankesalkun hallinnoinnissa ja kyenneet reagoimaan COVID-19-pandemian kaltaisiin haasteisiin mukautuvan ohjauksen tehokkuudella. UM:n henkilöresurssien niukkuus ja muut operatiiviset haasteet ovat kuitenkin merkittävä rajoite, joka haastaa erityisesti strategisoinnin, hankeaihioiden kehittelyn, raportoinnin ja tulosten synteessin, vaikuttavuuskertomusten laatimisen, ja valtavirtaistamisen paremman määrittämisen (mukaan lukien Pariisin ilmastosopimuksen linjaan soveltaminen) ja monenvälisen vaikuttamisen. (L7)</p>	<p>Suositus 5. Vahvista kansainvälistä vaikuttamista: Vahvista UM:n resursseja kahdenväliseen ja monenväliseen vaikuttamiseen ilmastotoimien parantamiseksi kumppanimaissa ja monenvälisen toimijoiden osalta. Vaikuttamisen tulisi kohdistua erityisesti Pariisin sopimukseen linjaamisen parantamiseen, kehitysvaikutusten saavuttamiseen (erityisesti ilmatorahausresilienssi, alemman tulotason maat), rahoituksen lisäisyyden ja yksityisen rahoituksen mobilisoinnin tarpeeseen, suomalaisen osaamisen käyttämisen lisäämiseen, ja tulosten raportointiin ja läpinäkyvyyteen. Sisällytä tämä ilmatorahaus-strategiaan. (J5, J6, J8)</p> <p>Suositus 6. Aseta painopiste tulosten kertomiseen: Keskeytä enemmän tuloksista kertomiseen, mukaan lukien asettamalla tarvittavat resurssit tulosanalyysiin ja raportoinnin kehittämiseen tukea strategisten teemojen ympärille rakentuvaa ja useamman instrumentin tulokset kattavaa tuloksista kertomista. Etsi tähän apua esimerkiksi Suomen tutkimus- ja akateemiselta yhteisöltä. Sisällytä suunnitelma ja ohjeet vaikutusraportointiin ilmatorahaus-strategiaan. (J7, J8)</p> <p>Suositus 7. Linjaa resurssien käyttö ilmatorahaus-strategian kanssa: Varmista, että kapasiteetti ja resurssit ovat suhteessa strategiaan (mukaan lukien Pariisin ilmastosopimukseen linjautuminen ja valtavirtaistaminen, monenvälinen vaikuttaminen, sekä tulos-synteesi ja raportointi). Sisällytä suunnitelma ja ohjeet resursoinnista, mukaan lukien mahdollinen ulkoistaminen, ilmatorahaus-strategiaan. (J9)</p>



Sammanfattning

Inledning

Utvärderingen av Finlands insatsportfölj för internationell klimatfinansiering 2016–2022 syftade till att bedöma hur relevant and koherent Utrikesministeriets (UM) tillvägagångssätt har varit i förhållande till internationella klimatfinansieringsmål och andra aktörer, påvisa resultat som har uppnåtts under perioden samt ge förslag på hur Finlands handlingsplan för internationell klimatfinansiering skulle kunna förbättras och genomföras i framtiden.

Utvärderingen bygger på en bred evidensbas, inklusive en portföljanalys av fler än 500 insatser, en mer djupgående bedömning av 49 klimat-relaterade insatser, som motsvarar mer än 70 procent av den totala insatsportföljens värde, en granskning av likasinnade biståndsgivare och en kartläggning av trender, samt intervjuer med fler än 100 intressenter. Utvärdering omfattar alla insatser som klassats som klimatfinansiering enligt det rapporteringssystem för de s.k. Riomarkörerna (inklusive direkt klimatfinansiering och annan finansiering med klimatmål) som Organisationen för ekonomiskt samarbete och utveckling och dess utvecklingskommitté (OECD/DAC) har tagit fram.

Utvärderingsfrågor (UF)

Utvärderingen har syftat till att besvara följande tre frågor.

1. UF1. I vilken utsträckning är Finlands internationella klimatfinansiering relevant och i överensstämmelse med nationella och globala agendor för utveckling och klimat, och berörda aktörers och målgruppers prioriteringar?
2. UF2. I vilken utsträckning har Finlands klimatfinansieringsportfölj genererat resultat under perioden 2016–2022?
3. UF3. Hur kan Finland under en femårsperiod säkerställa att dess handlingsplan för klimatfinansiering förblir relevant, trovärdig, inflytelserik och verkningsfull?

Övergripande resultat och slutsatser

Finlands klimatfinansiering utgörs av en stor mängd, delvis osammanhängande, insatser och investeringar som genomförs inom ramen för ett antal olika instrument, som i olika grad fokuserar på klimatet. Under perioden 2016–2021 gjorde Finland utfästelser om klimatfinansiering till ett belopp om ca. 664 miljoner Euro, varav hälften avsåg bidrag och den andra hälften lån/investeringar. Även om den är betydande står Finlands andel av den internationella klimatfinansieringen inte i proportion till storleken på landets ekonomi, befolkning och historiska utsläpp. Fler än 500 insatser för klimatfinansiering identifierades. Dessa insatser genomförs med hjälp av ett brett spektrum av instrument, från kärnstöd till multilaterala institutioner, som t.ex. FN:s



gröna klimatfond till finansieringsinstrument som erbjuder projektfinsiering till finländska aktörer (civilsamhällesorganisationer, forskningsinstitutioner och privata sektorn) för klimatrelaterade insatser. Den största delen av medlen kanaliseras genom multilaterala institutioner och Finnfund.

Finland har inte haft en tydlig och övergripande strategi för att kunna prioritera och fördela klimatfinansieringsmedel, vilket har resulterat i att finansieringen har formats av UM:s instrument och processer. I brist på en övergripande strategi har Parisavtalet fungerat som en övergripande riktlinje för UM. Den har kompletterats med mer specifika mål, såsom ett geografiskt fokus på Afrika och de minst utvecklade länderna och målet att balansera stöd för begränsning och anpassning. Under perioden har det skett en tyngdpunktsförskjutning från bidrag till lån och investeringar, vilket speglar de politiska utmaningarna kring att säkerställa officiellt utvecklingsbistånd. Det har också skett en förskjutning från bilaterala till större multilaterala bidrag, vilket möjliggör större bidrag och inflytande men också speglar UM:s kapacitets- och personalbegränsningar. Viljan att dra nytta av finländsk expertis och uppmuntra privatsektorutveckling- och finansiering är också överväganden som har också påverkat finansieringsmetoden.

Finlands klimatfinansieringsinsatser är väl anpassade till internationella klimatpolitiska mål, utvecklingsländernas behov och partnernas förväntningar. Som återspeglas i finansieringsvolymer har Finland lagt stor tonvikt på sitt multilaterala engagemang. UM:s insatser är i hög grad förenliga med stora globala åtaganden under Parisavtalet och processerna kring Klimatkonventionen, samt väl anpassade till utvecklingsländernas politiska ambitioner och prioriteringar (som anges i deras nationellt fastställda bidrag, Net Zero-åtaganden, anpassningsplaner och andra sektormål). Övergripande utvecklingsprioriteringar som jämställdhet och mänskliga rättigheter genomsyrar även portföljen i hög utsträckning. I avsaknad på tydliga prioriteringar och i likhet med andra givare (som ofta är mycket större och har mer resurser) har UM tillhandahållit ett brett utbud av finansiering och tjänster som riktas mot ett brett spektrum av utmaningar på sektornivå genom en kombination av olika finansieringsinstrument.

Utbudet av tillgängliga finansieringsinstrument, som alla har sina fördelar och begränsningar, formar hur UM:s klimatpolitiska prioriteringar genomförs. Till exempel erbjuder multilaterala plattformar en möjlighet för mer omfattande och effektfulla insatser, men resultat uppnås ibland bara på lång sikt och är mindre transparenta, och strukturen gör det svårare att involvera finländska aktörer. Instrument för civilsamhällesorganisationer är mer flexibla och fokuserar ofta på mindre insatser inom lokalsamhällen och handlar om begränsning och utsatta regioner. Utvecklingspolitiska investeringar riktar sig ofta mot kommersiella sektorer (som t.ex. förnybar energi) på marknader med högre nivåer av social och ekonomisk utveckling, och ofta med större fokus på transaktioner och projektpipelines än policy- eller marknadsutveckling. Det finns ingen strategi som passar för alla situationer, och politiska prioriteringar kräver olika kombinationer av finansieringsinstrument.

Klimatfokuset inom olika instrument beror på UM:s målsättningar och tillvägagångssätt för klimatintegrering. Vissa instrument är helt och hållet dedikerade till klimatmål (t.ex. bidrag till klimatfonder) eller har tydliga klimatfinansieringsmål (t.ex. 75 % av utvecklingspolitiska investeringar). Andra instrument har i varierande grad integrerat klimatet beroende på de signaler som ges av UM:s riktlinjer. Det senare tillvägagångssättet är typiskt för mer inhemskt orienterade instrument (civilsamhället, institutionellt samarbete och privatsektor) där det saknas tydliga klimatmål eller vägledning, och där klimatfinansiering identifieras med hjälp av Riomarkörerna. I sådana fall är nivån på klimatfinansieringen i hög grad beroende av vilket intresse som finns bland de finländska aktörerna. Allmänt sett har UM ännu inte fullt ut internaliserat övergången mot Paris-anpassningen



inom utvecklingssamarbetet, och det finns möjligheter att stärka metoder för integrering bland olika instrument.

Finlands klimatfinansieringsinsatser har gett stora och mångsidiga klimat- och utvecklingsvinster, men resultaten har inte syntetiserats eller kommunicerats väl. Resultaten har uppnåtts genom insatser på många olika områden (energi, vatten, jordbruk, skogsbruk, infrastruktur, finansiella tjänster), och har bidragit till minskningar av växthusgasutsläpp, kapacitet för ren energi och hållbar förvaltning av mark och skogar. Finland uppnår dessa resultat främst genom att investera i multilaterala fonder och genom särskilda finansieringsinstrument. Det finns också ambitioner och tecken på långsiktiga förändring av en genomgripande natur, såsom grundläggande systemförändringar och skalning och replikering av framgångsrika piloter eller exempel. Det är dock svårt att presentera ett sammanhållet narrativ om Finlands klimatfinansiering. Rapporteringen är inkonsekvent, särskilt i integrerade projekt. Resultaten är också svåra att aggregera på portföljnivå. Detta kan förklaras av de olika metoder och indikatorer som används av samarbetspartnerna, svårigheter att påvisa hur Finland genom sitt relativt ringa stöd till multilaterala fonder har bidragit till rapporterade resultat, och den långa tidshorisont över vilka klimatresultat uppstår (ofta bortom projektens rapporteringsperioder). Dessutom påverkas UM:s förmåga att kommunicera resultat och skapa politiskt stöd för klimatfinansiering av bristen på en övergripande strategi, fragmentering av insatser, och UM:s resursbegränsningar.

Den stora bredden av finansieringsinstrument gör det möjligt att involvera en rad finländska aktörer, vilket har skapat komparativa fördelar på flera områden, men det har varit svårt att engagera den privata sektorn. De instrument som har varit inriktade på institutionellt samarbete och insatser via civilsamhällesorganisationer har visat sig vara särskilt framgångsrika när det gäller att utnyttja finsk expertis, bygga en insatsportfölj med fokus på tidig varning, hantering av katastrofrisker, jordbruk och skogsbruk. Finlands klimatfinansiering har också resulterat i stöd till ett antal initiativ (t.ex. Finnfund, nordiska utvecklingsfondens energi och miljöpartnerskap (EEP)) som indirekt skapar inhemska förmåner. Det har dock varit svårare att involvera den privata sektorn i klimatfinansieringsinsatser (t.ex. genom Public Sector Investment Facility (PIF), DevPlat, Finnpartnership) på grund av begränsningar i volym och intresse samt förmodade alternativkostnader för privata företag. Benägenheten att i ökande grad använda multilaterala finansieringsinstrument har skapat stora hinder för direkt finländskt deltagande (på grund av upphandlingsregler), även om UM har försökt att stärka kopplingarna och skapa ökad medvetenhet, särskilt i samband med sina utvecklingspolitiska investeringar.

UM uppfattas som en samarbetsvillig och engagerad partner inom klimatfinansiering, särskilt vad gäller dess roll i att främja kopplingar mellan klimat och utveckling, men kopplingar mellan klimatfinansiering och klimatdiplomati skulle kunna stärkas. Finlands stöd till stora klimatfonder och andra multilaterala mekanismer skapar tillgång till internationella forum, diplomatisk status och möjligheter att påverka. Hittills har Finland haft viss framgång när det gäller att forma multilaterala partners tillvägagångssätt, särskilt när det gäller kopplingar mellan klimat och utveckling i frågor om jämställdhet och mänskliga rättigheter. Finland ses dock inte som en särskilt innovativ partner när det gäller klimatförändringarna i sig (t.ex. när det gäller klimatfinansieringsinstrument, mervärde eller utvecklingseffekter). Parallellt med sin klimatfinansiering har Finland framgångsrikt lanserat och deltagit i internationella klimatdiplomati och politiska initiativ. Det har dock varit begränsad korsbefruktningen mellan klimatdiplomati och klimatfinansiering. Ibland går klimatpolitiska kopplingar och möjligheter till inflytande förlorade på landnivå där insatserna främst är sektoriella (t.ex. skogsbruk), och det är svårt att skapa synergier mellan det bilaterala och multilaterala stödet på ett konsekvent och effektivt sätt.



Trots att portföljen förvaltas effektivt utgör UM:s brist på resurser fortfarande en betydande begränsning. UM och dess samarbetspartners har haft god tillsyn och förvaltat portföljen på ett tillbörligt sätt. De problem som har uppstått under genomförandet har hanterats effektivt och genom flexibel anpassning. Portföljanalysen visar att insatserna på det hela taget har genomförts på ett ändamålsenligt sätt, men att ungefär hälften av de granskade insatserna har försenats eller stöpts om (särskilt till följd av covid-19). Avtalsförlängningar utan extra bidrag pekar på en viss flexibilitet och anpassningsförmåga inom UM. Kapacitetsbegränsningar kvarstår inte desto mindre, i synnerhet som portföljen har byggts ut och blivit mer komplex utan att ytterligare personalresurser har tillförts. Det finns en påtaglig brist på resurser vad gäller resultatsammanfattningar, a ta fram narrativ om effekter, integrering (inklusive Parisanpassning), och multilateral påverkan.

Rekommendationer

Rapporten rekommenderar att följande åtgärder vidtas för att säkerställa att Finlands klimatfinansiering blir mer effektiv och transparent.

Tre rekommendationer är centrala och fokuserar på behovet av att ta fram en tydligare och bättre integrerad strategi.

- A. För det första, och viktigast av allt, bör UM ta fram en **tydligare strategi för klimatfinansiering**, som omfattar samtliga kanaler och instrument. Strategin bör uttryckligen ange och prioritera mål för stöd till den multilaterala finansieringsarkitekturen, tematisk specialisering (som bygger på finsk kompetens och mervärde), maximera deltagande av finska institutioner, eller stöd till förändringar på landnivå. Strategin bör också vara tydlig med vad som nedprioriteras. Efter att ha fastställt målen bör strategin beskriva olika instruments fördelar och nackdelar vad gäller förmågan att leverera på dessa prioriteringar. Tydliga prioriteringar bör också göras vad gäller nya tendenser (t.ex. förlust- och skadefinansiering, kopplingar mellan klimat- och biologisk mångfaldsfinansiering).
- B. För det andra bör UM, inom ramen för en ny strategi, **vidareutveckla sitt förhållningsätt till klimatintegrering och Parisanpassning**. Då klimatåtgärder kommer att normaliseras inom utvecklingsfinansiering bör UM sträva efter att maximera fokus på klimatet inom alla instrument genom bättre klimatvägledning och riskbedömning, samt fortsätta att försöka påverka samarbetspartners och vidareförmedlande organisationers (investeringsfonder för utvecklingsländer (DFI), MDB) arbetssätt i linje med Parisagendan. Finnfunds tillvägagångssätt är ett bra exempel på god praxis i detta avseende. UM bör samarbeta med andra departement för att skapa ett enhetligt arbetssätt med internationell utvecklingsfinansiering som en integrerad del.
- C. För det tredje, som ett underlag för den strategiska omfokuseringen, bör UM **skapa en djupare förståelse för Finlands mervärde på klimatfinansieringsområdet**, finska institutioners vilja att delta i denna satsning, och vilka hinder som finns för detta. UM bör, i samverkan med näringslivet, forskningsinstitutioner och civilsamhället, och med utgångspunkt i befintliga initiativ, genomföra en översyn av det mervärde som offentliga och privata aktörer kan bidra med (med hänsyn taget till olika sektorer, kompetensområden, nätverk och relationer). En sådan översyn bör också inkludera en realistisk bedömning av olika intressenters vilja och förmåga att engagera sig (särskilt företag inom den privata sektorn), olika alternativs lönsamhet, samt hinder för medverkan. UM bör fortsätta att arbeta med DFI:er och internationella partners för att förbättra möjligheterna för finskt deltagande i multilaterala instrument och DFI-instrument.



Det finns även utrymme för flera förbättringar på operationell nivå som skulle kunna bidra till ett mer effektivt genomförande av klimatfinansieringsportföljen framöver:

- A. För det första bör UM försöka främja **djupare integration och anpassning mellan instrument** för att kunna genomdriva strategiska prioriteringar allteftersom de fastställs. Detta skulle kunna ske genom tematiskt integrerade utlysningar av bidrag, anpassning av de olika instrumentens bidragsprocesser och tidsplaner, och förbättrad insyn hos potentiella vidareförmedlare i existerande partnerskap och aktiviteter. UM bör även försöka öka synligheten och kopplingarna mellan bilaterala och multilaterala kanaler på landnivå, samt skapa fler synergier mellan Finlands klimatfinansiering och klimatdiplomati.
- B. För det andra, med tanke på klimatfinansieringens betydande beroende av multilaterala kanaler och DFI:er, bör UM stärka sin förmåga att **påverka sina vidareförmedlares prioriteringar, ambitioner och öppenhet**, särskilt på det multilaterala och DFI-området. Tyngdpunkten bör ligga på att skapa mer fokus på mervärde genom utvecklingseffekter (särskilt för låne- och investeringsverksamheten), öka den privata finansieringen, innovation, klimatambition (t.ex. Parisanpassning) och öppenhet inom resultatrapporteringen (se nedan). Vid sidan av mer riktade strategier bör UM säkerställa att de som ansvarar för att hantera institutionella relationer har tid och kapacitet att samarbeta med relevanta partners.
- C. För det tredje bör UM göra större ansträngningar att **syntetisera resultat och skapa narrativ om utvecklingseffekter** till stöd för strategin, vilket kan skapa en bättre förståelse inom regeringen för resultaten och fördelarna med klimatfinansiering, samt öka allmänhetens kunskap och stöd till denna verksamhet. Detta innebär att UM bör ta fram en serie centrala indikatorer och verka för att förbättra metoder för anpassning och aggregering. Det inkluderar också att koncentrera bidragen från olika instrument (både bilaterala och multilaterala) till prioriterade teman eller mål, förbättra analys av "value for money" och "benchmarking", samt att tydligare beskriva genomgående förändringar (på global nivå, inom olika sektorer, och på landnivå).
- D. Slutligen, som ett komplement till ovan, måste UM **säkerställa att det finns resurser för att genomföra strategin**, både humankapital och pengar. Även om det på medellång sikt är osannolikt att betydande personalresurser kommer att tillföras är det absolut nödvändigt att UM avsätter ytterligare kapacitet, särskilt för resultatstyrning, klimatintegrering och Parisanpassning samt multilateral påverkan. Detta är avgörande för att öka förtroendet för Finlands klimatfinansiering (både internt och hos allmänheten). UM kan överväga olika sätt att söka stöd från den finska forskar- och akademiska världen i detta avseende.



Resultat, slutsatser och rekommendationer

Följande tabell sammanfattar utvärderingens resultat, slutsatser och rekommendationer.

RESULTAT (R)	SLUTSATSER (S)	REKOMMENDATIONER
<p>Resultat 1. UM saknar en tydlig strategi för klimatfinansiering men har ändå levererat en i stort sett förnuftig och sammanhängande uppsättning klimatfinansieringsinsatser.</p> <p>Resultat 2. UM:s instrument, som har olika fördelar och begränsningar, formar hur klimatfinansieringen genomförs.</p> <p>Resultat 3. Finsk klimatfinansiering är väl anpassad till Parisavtalet och stödjer utvecklingsländernas behov och klimatambitioner.</p> <p>Resultat 4. Klimatfinansiering har bidragit till att uppnå bredare utvecklingsmål (jämförbarhet, mänskliga rättigheter), men potentiella synergier, men klimatdiplomati tas inte väl om hand om.</p> <p>Resultat 5. Finland ger stöd till ett brett spektrum av internationella partners, vilket gör det möjligt för dem att genomföra större och mer ambitiösa satsningar med klimatfinansiering.</p> <p>Resultat 6. Det finns möjligheter för deltagande av finländska intressenter, men det är inte tydligt på vilka områden som dessa har komparativa fördelar, och finansieringen är relativt begränsad.</p> <p>Resultat 7. UM och dess partners har hanterat portföljen på ett adaptivt och flexibelt sätt trots globala utmaningar och personalbegränsningar.</p> <p>Resultat 8. Insatser ger storskaliga klimatresultat, både för begränsning (minskningar av växthusgasutsläpp) och anpassning (motståndskraft, försörjning).</p> <p>Resultat 9. Finlands klimatfinansieringsportfölj är väl anpassad till andra utvecklingsmål såsom jämförbarhet och mänskliga rättigheter.</p> <p>Resultat 10. Insatserna visar att det finns ambitioner att uppnå genomgripande förändringar, och även tidiga tecken på sådana förändringar, men det kommer att ta tid innan effekterna blir tydliga.</p>	<p>Slutsats 1. Strategi: Avsaknaden av övergripande strategi och tydligt definierade mål för klimatfinansieringsportföljen minskar transparensen kring finansieringsbeslut, begränsar diskussionen kring olika instruments roll och försvårar ansträngningar att följa upp och mäta resultat. (R1, R2, R17, R18, R19)</p> <p>Slutsats 2: Relevans och koherens: Trots bristen på strategi är Finlands insatsportfölj väl anpassad till multilaterala mål kring klimatåtgärder och svarar väl mot utvecklingsländernas prioriteringar, förväntningar bland internationella partners och bredare finländska utvecklingsmål (t.ex. jämförbarhet och mänskliga rättigheter). (R3, R4, R5)</p> <p>Slutsats 3: Integrering och Parisanpassning: Även om klimatfinansiering återfinns i alla instrument för utvecklingsarbete, har UM ännu inte fullt ut anpassat sin verksamhet till den övergång som sker internationellt mot Parisanpassning. En effektivare integrering ger möjlighet att öka klimatfinansieringen utan att ytterligare ekonomiska resurser behöver tillföras. (R1, R3, R17)</p> <p>Slutsats 4. Finska intressen: UM:s olika instrument ger möjligheter för finskt deltagande i klimatfinansiering, men finansieringsvolymerna är relativt små, det finns barriärer för deltagande (särskilt för den privata sektorn och i multilaterala instrument), och det är inte tydligt på vilka områden som Finland har komparativa fördelar. (R6, R13)</p> <p>Slutsats 5. Påverkan på landnivå: På landnivå sker en övergång inom Finlands klimatfinansiering från bilateral till multilateral finansiering och tillvägagångssätt som främjar den inhemska resursbasen. I detta sammanhang är det viktigt att stödja klimatinTEGRERING, bibehålla kopplingen till klimatpolitiska diskussioner i Finland och uppmuntra koherensen och synlighet mellan olika instrument. (R14)</p>	<p>Rekommendation 1. Ta fram en övergripande strategi för klimatfinansiering: Ta fram en tydligare och mer integrerad strategi för klimatfinansiering. Strategin bör tydligt ange mål med hänsyn till tillgängliga resurser, prioritera finansiering utifrån tydliga mål och visa förståelse för kopplingarna mellan politiska mål och UM:s olika instrument. (S1)</p> <p>Rekommendation 2. Förbättra tillvägagångssättet för Parisanpassningen: Ge tydligare vägledning för att integrera klimathänsyn i alla UM:s finansieringsinstrument, och se till att de överensstämmer med Parisavtalet. Denna vägledning bör integreras i den övergripande klimatfinansieringsstrategin och överensstämmer med UM:s klimatfinansieringsrapportering. (S3)</p> <p>Rekommendation 3. Stärka kopplingarna till finländska institutioner och intressen: Genomför ytterligare konsultationer med finska partners och bygg kluster kring områden där Finland har komparativa fördelar och intressen. Identifiera finansieringskanaler för att öka engagemanget (särskilt med den privata sektorn) och integrera dessa i den övergripande klimatfinansieringsstrategin. (S4)</p> <p>Rekommendation 4. Strukturera instrument kring tematiska och geografiska prioriteringar: Undersök möjligheter att integrera och anpassa finansieringsinstrument till särskilda tematiska eller regionala prioriteringar, inklusive genom att skapa gemensamma finansieringsfönster och främja partnerskap mellan olika typer av organisationer (forskning, civila samhället, privata sektorn). (S1)</p>



RESULTAT (R)	SLUTSATSER (S)	REKOMMENDATIONER
<p>Resultat 11. Ansträngningar har gjorts för att skapa hållbara resultat genom att bygga lokal kapacitet, säkra långsiktig finansiering och stödja kommersiella marknader.</p> <p>Resultat 12. UM:s metoder för mobilisering av privat kapital har gått från att vara transaktionsbaserade till att ha ett större fokus på marknads- och utvecklingseffekter.</p> <p>Resultat 13. Finländska civilsamhällsorganisationer och forskningsinstitutioner har medverkat i hög grad, men det har varit svårare att involvera inhemska aktörer inom den privata sektorn och multilaterala instrument.</p> <p>Resultat 14. Det är svårt att skapa koherens mellan finska insatser på landnivå på grund av det de många instrument som har används och beroendet av multilaterala kanaler.</p> <p>Resultat 15. Finland ses som en proaktiv internationell partner, med stort inflytande, särskilt när det gäller kopplingar mellan klimat och utveckling.</p> <p>Resultat 16. Det finns betydande metodologiska och resursmässiga utmaningar när det gäller att skapa ett samlat narrativ om vilka resultat som har uppnåtts genom klimatfinansiering, särskilt på grund av personalbegränsningar inom UM.</p> <p>Resultat 17. Ett antal nya trender (t.ex. Parisanpassning, förlust och skada, natur och biologisk mångfald) kommer sannolikt att forma en framtida strategi.</p> <p>Resultat 18. Likasinnade givare som står inför samma utmaningar utvecklar sina egna nischer när det gäller sektorer och instrument.</p> <p>Resultat 19. Finland har möjlighet att skapa en mer fokuserad och storleksanpassad klimatfinansieringsportfölj som speglar finländsk kapacitet och styrkor.</p>	<p>Slutsats 6. Multilateral påverkan: Finland uppfattas som en liten men stödjande partner på den internationella klimatfinansieringsarenan, och ha en särskild påverkan på kopplingar mellan klimat och social rättvisa. Det finns utrymme för ytterligare påverkan när det gäller att förbättra multilaterala aktörers strategier för att skapa mervärde, bidra till utvecklingseffekter och förbättra rapporteringen. (R5, R15)</p> <p>Slutsats 7. Resultatberättelse: Varken klimat- eller övergripande utvecklingsresultat fångas upp väl inom portföljen och skulle kunna syntetiseras bättre i tydligare och mer övertygande narrativ. Avsaknaden av en tydlig strategi minskar UM:s förmåga att definiera resultat inom ramen för strategiska prioriteringar, vilket innebär att finansieringsbeslut kring klimatfinansiering lätt blir politiskt betingade. (R8, R9, R12, R16)</p> <p>Slutsats 8. Större omvandlingseffekt: Många insatser har ambitioner att bidra till omvandlingseffekter, eller uppvisar tidiga tecken på sådana effekter. Hur omvandlingseffekter ska uppnås är dock inte tydligt beskrivet (särskilt kring utvecklingspolitiska investeringar och den privata sektorn) och skulle kunna följas upp bättre på lång sikt. (R10, R11)</p> <p>Slutsats 9: UM:s bemanning och kapacitetsbegränsningar: UM och dess partners har haft god tillsyn och kapacitet att förvalta portföljen, och har anpassat sig flexibelt till utmaningar som covid-19. De befintliga bemannings- och kapacitetsbegränsningarna inom UM, jämte krav från andra verksamheter, har reducerat organisationens förmåga att investera resurser inom viktiga områden som strategiformulering, projektidentifiering, rapportering och resultat, Parisanpassning och multilateral påverkan. (R7)</p>	<p>Rekommendation 5. Förstärka internationellt inflytande: Stärka UM:s förmåga att påverka och förbättra bilaterala och multilaterala partners klimatinsatser genom tydligare vägledning och resurser. Påverkansarbetet bör fokusera på att förbättra Parisanpassningen, höja ambitionen vad gäller att åstadkomma utvecklingseffekter (klimatresiliens, lägre inkomst), stärka mervärdet och mobiliseringen av privat kapital, utnyttja finsk expertis och öka transparensen kring resultat och rapportering. Införliva detta i klimatfinansieringsstrategin. (S5, S6, S8)</p> <p>Rekommendation 6. Stärka UM:s fokus på klimattnarrativ och resultat: Lägg ett större fokus på narrativ och resultat, inklusive genom att tilldela nödvändiga resurser för analys och integrering av rapportering kring strategiska teman och inom olika instrument. Se över möjligheterna till externt stöd från den finska forskarvärlden. Inkludera en plan och vägledning för rapportering om effekter i alla klimatfinansieringsstrategier. (S7, S8)</p> <p>Rekommendation 7. Anpassa resurserna till strategin: Säkerställ att UM:s kapacitet överensstämmer med strategiska mål, det vill säga att det finns tillräckliga resurser för centrala verksamhetsmål (Parisanpassning och integrering, multilateral påverkan, resultatanalys och rapportering). Inkludera en plan och vägledning om resurser, inklusive eventuell outsourcing, i klimatfinansieringsstrategin. (S9)</p>



1 Introduction

1.1 Overview

This is the final report for the Evaluation of Finland's International Climate Finance portfolio 2016-2022. It sets out findings of the desk research, portfolio review and interviews with key stakeholders, together with a methodological approach undertaken. As a cross-cutting objective climate change has been included in several centralised evaluations but this is the first time that Finland's international climate finance has been evaluated in its own right.

1.2 Purpose of the evaluation

The ultimate purpose of the forward-looking evaluation is two-fold. Firstly, it will inform the Ministry Of Foreign Affairs (MFA) on the relevance, coherence and effectiveness of climate finance and what kind of results have been achieved with the various development policy and cooperation instruments over the period 2016-22. Secondly, the evaluation provides information and supports the implementation and further development of the Action Plan for Finland's Public International Climate Finance to maximise the effectiveness and impact of Finland's climate finance, especially regarding long-term planning and coordination of climate finance as a whole. While the Action Plan provides a useful framing of activities and instruments currently being used to allocate climate finance, it lacks a strategic framing in terms of priorities (e.g. thematic, geographic, modalities), the potential role of different instruments in meeting these, potential trade-offs given resource constraints, and prioritisation of approach. The analysis and conclusions of the report may be useful in informing how the Action Plan might be evolved into a more concrete and focussed allocation and impact measurement strategy. It builds upon earlier assessments undertaken by the National Audit Office of Finland (NAOF) and Development Policy Committee (DPC) on Finland's climate finance portfolio (key findings of these earlier assessments are summarised in Annex 8).

The specific objectives of the evaluation are:

- To assess the relevance and coherence of Finland's international climate finance;
- To assess the results of Finland's international climate finance and policy influencing in directing finance, with due consideration of the opportunities and barriers at both national and global levels;
- To assess the functioning of partnerships and co-operation in climate change mitigation and adaptation and whether the current balance of partnerships of Finnish influencing is optimal;
- To study relevant peer countries' experiences in order to learn best practices;
- To provide well-justified and evidence-based recommendations on how the MFA together with relevant stakeholders could further improve their actions for a more effective, coherent and relevant response to developing countries' climate finance needs and for funding priorities through the different cooperation instruments.



1.3 Scope of the evaluation

The main focus of this evaluation is to examine funded activities that are explicitly considered ‘climate finance’ by the MFA and which have the explicit purpose of addressing climate change. This may include activities classified as Finland’s Official Development Assistance (ODA), other official flows (OOF), as well as MFA’s policy influencing activities with its partners implementing climate finance. The full portfolio of climate finance therefore constitutes the basis for the evaluation.

Internationally, there is no single definition of climate finance. The term generally refers to finance for activities aiming to mitigate or adapt to the impacts of climate change. However, it is sometimes conflated with the related and overlapping concepts of green finance, sustainable finance, and low-carbon finance. The United Nations Framework Convention on Climate Change (UNFCCC) Standing Committee on Finance provides the following definition: ‘Climate finance aims at reducing emissions and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing the resilience of, human and ecological systems to negative climate change impacts.’ In practical terms, this definition represents the flow of funds to all activities, programmes or projects intended to help address climate change: for both mitigation and adaptation, in all economic sectors, anywhere in the world. Note that in the context of the UNFCCC assessing global commitments, there is an exclusion of financial market activity, such as bank loans to companies or investments in private and public equity to avoid double counting and it is mostly assessed on the basis of direct flows into capital assets or technical assistance. However, for the purposes of this evaluation, we include both direct and intermediated finance as Finland works through both directly with intervention implementers and through a range of international development banks and funds.

The climate finance portfolio includes all interventions that are considered climate finance as per the MFA statistics reporting approach (i.e. those that are classified as both ‘principal’ and ‘significant’ under the Rio Marker classification. This reflects that a significant number of interventions identified as climate finance are effectively climate mainstreamed (i.e. having other development objectives), alongside those which specifically target climate outcomes as their primary purpose. While it is not intended to conduct evaluations of individual partner organisations, it is important to assess the ways in which Finnish climate change adaptation and mitigation concerns and priorities are reflected in the wider set of interventions identified as significant.

Although adaptation and mitigation of climate change are also advanced through the work of other ministries than the MFA, this evaluation focuses on the work by the latter, and specifically from the development policy and cooperation point of view. However, it is acknowledged that development policy and cooperation are part and parcel of broader foreign and security policy of Finland. The evaluation considers how the strategy, shape, and priorities of the climate finance portfolio are influenced by other actors (both government and non-government).

The evaluation does not assess how Finland acts on climate finance issues in international climate politics and climate diplomacy. It excludes, for example, Finland’s activities in UNFCCC negotiations, but does consider potential linkages as and when these activities influence or reinforce international climate finance allocation or outcomes within the core climate finance portfolio.



The evaluation includes the following cooperation instruments/modalities that are currently intended to support climate finance outcomes over the period 2016-2022:

- Multilateral support (core funding and specific support to e.g. Green Climate Fund (GCF), Global Environment Facility (GEF), African Development Bank (AfDB) and African Development Fund (AFD), Inter-American Development Bank (IADB), International Fund for Agriculture, the World Bank Group (including Finland-International Finance Corporation (IFC) Blended Finance Climate Fund), Asian Development Bank (ADB) (including ADB Ventures Equity Fund), European Bank for Reconstruction and Development (EBRD) (including High Impact Partnership Climate Action), Nordic Development Fund (including the Energy and Environment Partnership (EEP)) as well as multi-bi interventions)¹,
- Private sector instruments (PSI) and channels (e.g. Developing Markets Platform (DevPlat) and Private Sector Investment Facility (PIF) and other instruments (e.g. Finnfund, Finnpartnership),
- Support to civil society organisations (CSOs), including CSO support (programme and intervention-based instruments) and International Non-Governmental Organisation (INGO) support,
- Bilateral support to Finland's partner countries (including also regional cooperation),
- Institutional Cooperation Instrument (ICI).

The main users of the evaluation are different units and departments in the MFA managing climate finance and development policy investments. The secondary users include the Ministry of the Environment and the Development Policy Committee (DPC). Similarly, different partners, actors and stakeholders are likely to find the results useful. The evaluation results will be used by the relevant departments and units for longer-term planning and coordination of Finland's international climate finance as a whole and thereby in further strengthening the effectiveness and impact of climate finance. The evaluation may also provide useful information and insights to help the Government of Finland discuss its offer and achievements in the context of the 2023 UN Climate Change Conference of the Parties (UNFCCC COP 28).

¹ Note: Multilateral support includes everything that is channelled through multilateral partners, including both core funding as well as specific support and Trust Funds.



2 Approach, Methodology and Limitations

2.1 Evaluation approach and questions

This section sets out the methodological approach, methods and analysis. A full overview of the methodology is set out in Annex 3.

There are three core evaluation questions that the evaluation seeks to answer. These are set out below:

5. To what extent is the Finnish international climate finance relevant to and coherent with national, global development and climate agendas and the priorities of those involved and affected?
6. To what extent has Finland's climate finance portfolio delivered results over the period 2016-22?
7. Over a five-year period, how can Finland ensure that its Climate Finance Action Plan evolves to remain relevant, credible, influential, and impactful?

The Evaluation Question (EQ) 3 draws from the horizon scanning and peer review. EQ3 was additionally informed by a Recommendations and Theory of change workshop held with the Reference Group and broader set of stakeholders in June 2023. Each of these questions has been further elaborated in an evaluation matrix (see Annex 7), which presents updated sub-questions for each EQ.

The evaluation follows a theory-based approach using mixed methods (both qualitative and semi-quantitative scoring of sub-portfolio). The approach consists of creating an implicit theory of change (TOC) that captures the drivers, activities and objectives within the Finnish Climate Finance portfolio and then further testing/refining this framework through an examination of the evidence from the portfolio and associated strategies. This theory-based approach allows for structuring of analysis of results and also helps better inform and frame recommendations and potential scenarios relating to the further development of the Climate Finance Strategy and Action Plan. The focus of the questions considers the findings of the DPC and the NAOF reports and builds upon them.

2.2 Methodology and approaches to analysis

The methodology uses four key approaches. These are as follows:

1. *Theory of change (TOC) development.* This includes developing an implicit theory of change (based on the portfolio and existing objectives and guidelines, together with a discussion on forward looking approaches. In the absence of an overarching strategy for the climate



finance portfolio, the TOC provides an overview of drivers and assumptions underlying programming and finance allocation.

2. *Portfolio review and assessment.* This involves the classification of the portfolio by different parameters (thematic, geographic, instrument), and a review of available results information at portfolio level. This was complemented by a more detailed assessment of a sub-portfolio of 49 interventions (representing approximately 70% of climate finance by value). The sub-portfolio was selected to include interventions covering a broad set of instruments, geographies, and thematic topics, while maximising the financial share of the portfolio. The assessment used the Organisation for Economic Co-operation and Development’s (OECD) Development Assistance Committee (DAC) criteria (Relevance, Coherence, Efficiency, Effectiveness, Impact and Sustainability).
3. *In depth case studies:* These include a number of thematic deep dives to include private sector instruments, adaptation and cross-cutting objectives, Finnish institutional interests and country case studies (Tanzania).
4. *Context and horizon scanning:* A review of emerging trends in climate finance, together with an assessment of peer donor approaches and experience to identify similarities and differences in design and implementation of climate finance.

2.3 Data collection methods

In terms of data collection methods, the following key methods are used to inform the analysis approaches:

- a) Interviews. The evaluation has undertaken more than 100 interviews with a range of stakeholders including MFA staff (both Helsinki based and overseas), other Finnish government stakeholders, members of the DPC, representatives of Finnish partners (CSOs, private sector stakeholders, research institutes), Multilateral Development Banks (MDBs) and Development Finance Institutions (DFI), peer donors and national partners. Interviews by stakeholder category are set out in Table 1.

Table 1 Total interviews by stakeholder category

	# INTERVIEWS
Government - MFA	32
Government - Finland	2
Government - Donor	9
Government - Recipient	3
International Agency	7
DFI/ International Finance Institution (IFI)	6
CSO	17
Research/Academic	20
Private sector	17
TOTAL:	113

Source: Evaluation team



- b) Document review. The evaluation has reviewed a broad range of documents, including strategic climate finance policies and strategies, intervention documentation (approval memos, annual reports), programme and project level evaluations undertaken by MFA and others, as well as grey literature.
- c) Portfolio data: The evaluation has analysed portfolio data provided by the MFA (as classified by the Rio Marker system), together with any relevant indicators or tagging associated with climate finance.

2.4 Limitations

There are several limitations of the methodology and evaluation, including the following:

- *Scale of overall portfolio:* There were more than 1.000 budget lines associated with Finland's climate finance. While the evaluation has focussed on 49 interventions representing 70% of the portfolio value, this is nonetheless an incomplete if largely representative picture.
- *Variable availability and completeness of intervention documentation for sub-portfolio assessment:* In terms of the sub-portfolio review, the evaluation looked at available documentation for each of the 49 interventions as provided by MFA. The quality and comprehensiveness of this documentation varied. Documentation reviewed was often in the form of intervention design and approval, rather than more detailed ex-post evaluation or reporting.
- *Lack of detailed intervention engagement.* While the evaluation interviewed a number of intervention-implementing partners, beneficiaries and responsible MFA staff, these interviews were not designed to provide detailed assessment of individual intervention performance. Interviews were, however, used to help triangulate scoring of the sub-portfolio review derived from intervention documentation. However, only a proportion of these interventions were accompanied by relevant implementing partner stakeholder interviews (<30%).
- *Issues with access to data and self-reporting for interventions with commercial confidentiality concerns.* For interventions where there are significant concerns around commercial confidentiality, access to intervention data was limited, with intermediaries (e.g. Finnfund) providing self-reported progress.
- *Quality and consistency of reporting:* Indicators and their associated methodologies are highly variable, intervention reporting is inconsistent (particularly for Rio Marker 1 interventions), timescales for outcomes and impacts are generally long, and there are particular challenges of attribution within the multilateral portfolio. These factors make it challenging to aggregate outcome and impact data to provide a portfolio level review.
- **Reporting of results is however inconsistent (particularly for Rio Marker 1 interventions), with results emerging at different timescales, inconsistent methodologies used, and significant differences in scale across the instruments (with particular challenges of attribution in the multilateral portfolio).**



- *Availability of staff relevant to historic implementation:* The portfolio stretches back to 2016. While the evaluation had access to current staff, it was not always possible to reach those working on earlier programmes or wider strategy to discuss underlying drivers/portfolio evolution.
- *Long timescales associated with results and transformational change:* Many interventions, particularly larger and implemented through multilateral bodies have significant development and implementation timescales. Transformational change also requires significant time to emerge (often following intervention completion. As a result, outcomes and impacts and sustainability are slow to emerge and remain planned or expected. Assessment was therefore done on best available information and expectations as set out in planning documentation.
- *Availability of 2022 portfolio data:* MFA is in the process of cleaning 2022 portfolio data. While this may be available at the time of evaluation publication, it was considered impractical to revise the report in time, and 2022 data has therefore been excluded from the analysis.
- *Subjective scoring of sub-portfolio:* While using expert opinion to assess the performance of the sub-portfolio against OECD DAC criteria, these judgements are nonetheless subjective, although based on available evidence.



3 Context Analysis

3.1 International context

Climate change and international climate finance is governed by a series of conventions and agreements under the UNFCCC. The key documents of international policy on climate change are United Nations Framework Convention on Climate Change (UNFCCC, 1992, entered into force in 1994), Kyoto Protocol (1997, entered into force in 2005) and Paris Agreement on Climate Change (2015, entered into force in 2016).

Climate change remains a key global challenge with increasing evidence of impacts, challenges in meeting the 1.5°C and insufficient finance to support action in developing countries.

The Paris Climate Change Agreement was concluded in December 2015, and came into effect after 2020. The Paris Agreement is the first genuinely global and binding climate agreement that obliges all Parties to participate in reducing emissions. The objective of the Paris Agreement is to keep the increase in the global average temperature well below 2°C relative to pre-industrial levels and pursue efforts to limit the temperature increase to below 1.5°C. Moreover, the Paris Agreement called for a better balance between mitigation financing and the financing for adaptation in the poorest and most vulnerable countries. Developed countries announced a mobilisation target of USD 100 billion to finance the transition to 'low emission, climate resilient economies'. The goal was formalised at COP16 in Cancun, and at COP21 in Paris, it was reiterated and extended to 2025.

As climate ambitions advance and the latest science emphasises urgency of climate actions, global climate finance has not increased in line with expectations. Public finance in particular, plays an important role in this regard, supporting capacity building, research, piloting and demonstrating new approaches and technologies as well as removing barriers and giving incentives to other climate finance flows. It is clear that public financing is able to cover only a small proportion of expected investment costs and climate actions will require massive scaling of private investment in the transition to green growth.

International public and private climate finance flows are increasing yet remain deeply insufficient to address the scale of the challenge, with private flows only addressing more mature markets/sectors. Recent OECD analysis revealed that in 2020 international climate finance to developing countries was USD 83.3 billion and increased by 4% from 2019 but still fell short of the USD 100 billion per year by 2025 goal. Public climate finance grew and continued to account for lion's share of the total (USD 68.3 billion), of which the MDBs provided nearly 50% or USD 33 billion – up from USD 13 billion in 2013, and the multilateral climate funds USD 3.5 billion – up from USD 2.2 in 2013. Private finance mobilised by public climate finance (USD 13.1 billion) decreased slightly compared to earlier years and export credits remained small (USD 1.9 billion). Mitigation finance still presented the majority (58%) and was focussed mainly on energy and transport sectors (46%). Adaptation finance grew but the increase was to a great extent the result



of a few large infrastructure interventions. The analysis noted that in 2016-2020 climate finance provided and mobilised by developed countries largely focussed on mitigation in relatively high emitting countries.

Adaptation finance varies widely within and between country groups. Grants represent a much higher share of finance for adaptation. Increasing private climate finance has proved to be challenging and the ability of developed countries to mobilise private funding is influenced by many factors, e.g. policy and broader enabling environments in developing countries and general macroeconomic conditions. Adaptation continued to represent a small share of total mobilised private climate finance.

The latest Intergovernmental Panel On Climate Change (IPCC) report indicates the urgency of early action. The report identifies that human action through rising greenhouse gas emissions had already caused global surface temperatures to rise by 1.1°C over the period 2011-2020 compared to 1850-1900, causing widespread and rapid changes in the atmosphere, ocean, cryosphere and biosphere.² The report notes that this is already increasing weather and climate extremes in every region, resulting in losses and damages to both social and environmental systems, and impacting those least responsible. While adaptation planning is ongoing, it remains inadequate and financial flows, particularly for developing countries, remain insufficient. Current policies and measures indicate that the 1.5°C temperature goal will be challenging to meet, with 2°C of warming likely in the absence of increased policy ambition and financing support.

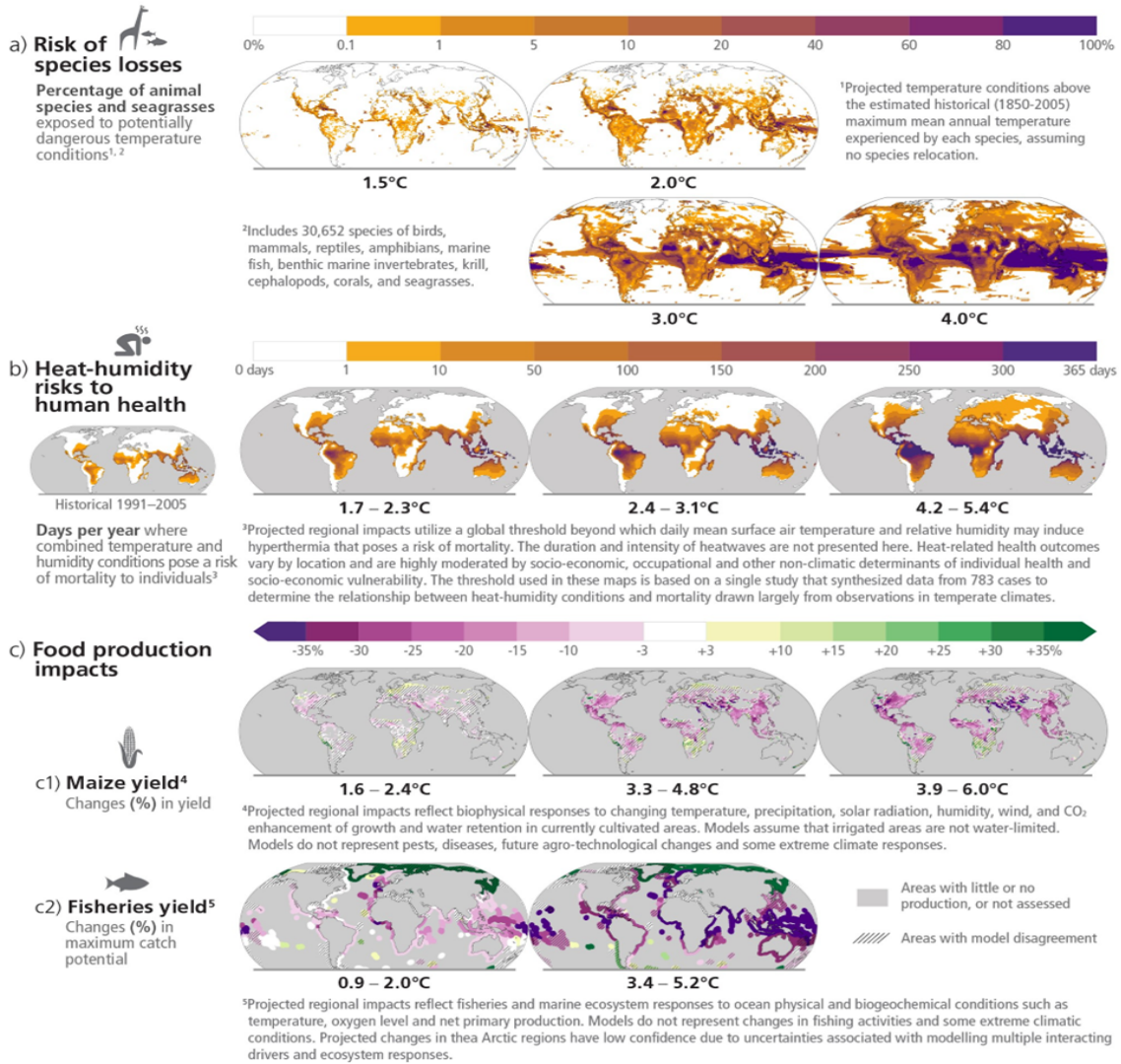
2 See Intergovernmental Panel on Climate Change (IPCC). (2023). AR6 Synthesis Report. Headline Statements.



Figure 1 Impacts on social and environmental systems of different levels of future climate change

Future climate change is projected to increase the severity of impacts across natural and human systems and will increase regional differences

Examples of impacts without additional adaptation

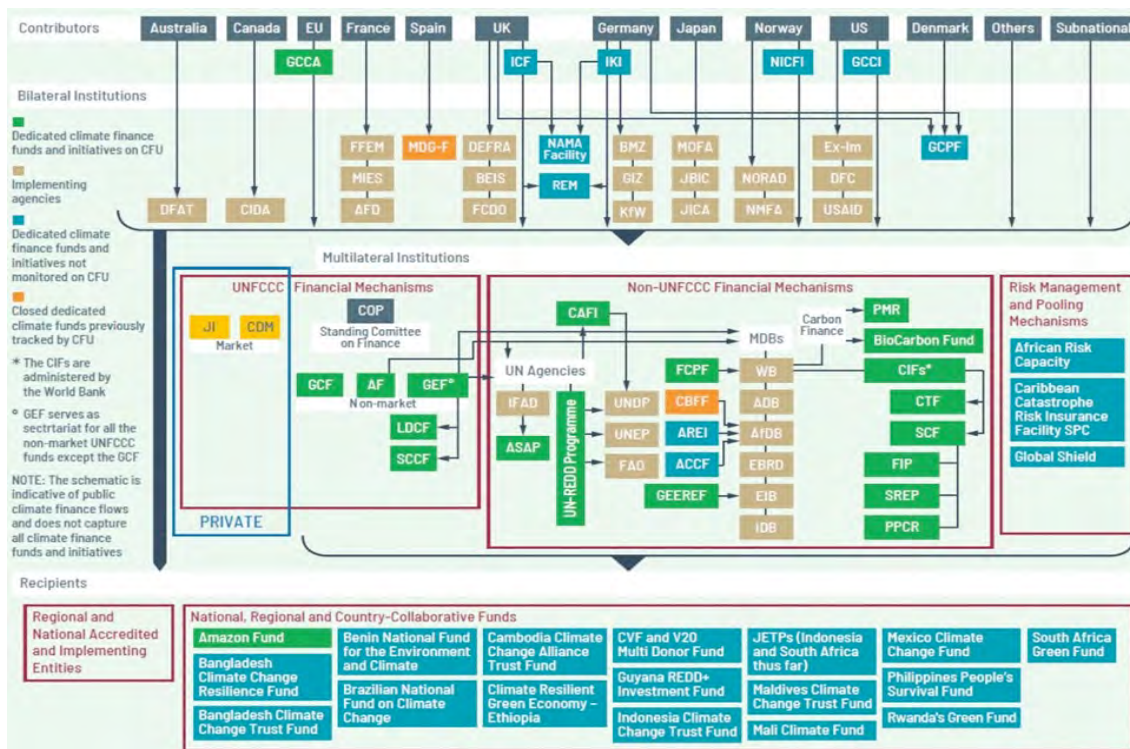


Source: IPCC. (2023). AR6 Synthesis Report.

There are many sources of and channels for international climate finance. These include donors, their bilateral institutions and dedicated funds, The multilateral institutions (both UNFCCC and non-UNFCCC) as well as a set of national funds and partnerships (see Figure 2).



Figure 2 Overview of international climate flows (funds and institutions)



Source: Climate Funds Update. (2023). Global Climate Finance Architecture.³

3.2 Finnish context

Integration of climate change has been one of the cross-cutting objectives of Finland’s development policy and development cooperation since 2012. Finland supports developing countries’ climate action as part of development policy and cooperation. Funding is directed to both climate change mitigation and adaptation. Since 2019, the target has been to scale up international climate finance and to direct half of the funding to mitigation and half to adaptation.

Finland’s broad portfolio of climate finance interventions has evolved in an incremental way under a range of domestic policy influences, targets, and political constraints around ODA funding.

Finland’s climate finance consists of grants, concessional loans and investments and Finland uses a variety of channels to provide this support. These include private sector, multilateral, bilateral and CSO cooperation and ICI. Finland uses investment-based and loan-based funding to increase overall climate funding, partly substitute grant funding, and accelerate private sector investments in climate solutions.

The so-called Rio Markers developed for the OECD Development Assistance Committee’s Creditor Reporting System (CRS) are used to track climate finance where Rio Marking 1 implies that the

3 Climate Funds Update. (2023). Global Climate Finance Architecture.



intervention objectives **significantly** address climate adaptation or mitigation, and a Rio Marking 2 that the intervention objective is **principally** climate change mitigation or adaptation.

3.2.1 Strategies and policies

In the absence of a clear climate finance strategy, there are a range of relevant government development strategies and policies that have influenced the shape and direction of Finland’s climate finance. These are set out below, together with a short consideration of how they might influence the evaluation research process:

Table 2 Overview of government strategies and policies influencing Finland’s climate finance

<p>Government Report to Parliament on the Development Policy (2016)</p>	<p>The report identifies that all activities should be geared towards supporting climate change mitigation and adaptation and acknowledged for the first time that climate finance was a core part of development cooperation funding. Priority area 4, explicitly supports the alignment of climate resilience and low emissions development with sustainable use of natural resources. The document also specifies core channels for climate finance (e.g. GCF, GEF, International Fund for Agricultural Development (IFAD)) and the role of the climate conventions, as well as sets out multilateral channels (MDBs) and the importance of new private cooperation, supporting Finnish interests and new or expanded sector instruments (e.g. PIF, Finnfund, Finnpartnership). This report is important as it sets the baseline for how climate finance was framed and what expectations were at the beginning of the period under evaluation.</p>
<p>Programme of Prime Minister Sanna Marin’s Government: Inclusive and Competent Finland (2019)⁴</p>	<p>The 2019 programme committed to a scaling up of climate finance, reflecting commitments under the Paris Agreement with the aim of providing 50% support to adaptation. There was a commitment to continue investment and loan-based finance to help increase overall volumes. This included a continued commitment to Finnfund and the use of development policy investments. Priority areas were identified as mitigating climate change and adapting to it; food security; water; renewable energy; and sustainable use of natural resources, including afforestation. Commitments were also made to inclusion within the development portfolio. There was also a commitment to scale contributions to United Nations (UN) and multilateral agencies (including for climate finance).</p>
<p>Development policy investment plan for 2020–2023 (2019)</p>	<p>The plan, which applied to loans and investments during 2020-2023 (approximately half of Finland’s Climate Finance) defined three objectives: 1) to allocate at least 75% of the funding to climate finance, 2) to allocate at least 60% of the funding towards Africa, and 3) to strengthen the gender perspective, the aim is to ensure that 85% of the funding includes objectives that promote gender equality. These objectives will inform part of our review from a portfolio analysis perspective and help inform the private case study.</p>
<p>Theories of Change and Aggregate Indicators for Finland’s Development Policy (2020)</p>	<p>This document sets out the theories of change and assumptions for impact for a range of development policy areas, including climate and natural resources and private sector. There are 5 thematic areas – Forestry, Energy, Meteorology and Disaster Risk Reduction (DRR), Food and nutrition security and water. These are used to help construct our retrospective and forward-looking theory of change, although they lack a sense of prioritisation between thematic areas or a discussion on which instruments might be most effective in delivering them.</p>

4 Finnish Government. (2019). Programme of Prime Minister Sanna Marin’s Government 10 December 2019. Inclusive and competent Finland – a socially, economically and ecologically sustainable society. Publications of the Finnish Government. 2019:33.



Government Report on the Implementation of the 2030 Agenda	<p>The report sets out domestic progress and international commitments across a range of Sustainable Development Goal (SDG) targets, including SDG 13 on climate change but also a range of other relevant SDGs covering energy, resilience, cities, consumption, forests and land use. The report is useful for the evaluation as it provides an overview of Finnish commitments to support the international system, as well as its domestic agenda and potential national strengths, institutions and priorities to advance the agenda.</p>
Report on Development Policy Extending Across Parliamentary Terms (2022)	<p>The report restates Finland’s commitment to climate change and a broad range of thematic priorities (e.g. water, energy, risk reduction) as set out above. In addition, it elaborates the alignment with Finnish strengths and interests, and identifies the types of partnerships (both domestic and international) that can deliver impact. The report supports the identification of both priorities and delivery pathways that can inform the evaluation and development of a theory of change.</p>
Action Plan for Public International Climate Finance (2022)	<p>In accordance with the Government Programme, Finland will increase climate finance channelled to developing countries. The plan sets that the climate finance will increase nearly twofold during this government term. Climate finance will peak in 2023; the funding is expected to rise to as much as EUR 249 million. After this, the funding is planned to continue at an annual level of approximately EUR 200 million until 2026. The climate finance will be channelled both in the form of grants and in the form of investments and loans. It is estimated that from 2022 onwards grant-based climate finance flows will be equally split between adaptation and mitigation. The plan foresees Finnish businesses’ participation in climate action as well as reform of the current fragmented range of funding instruments.</p>
A strong and committed Finland: Programme of Prime Minister Petteri Orpo’s Government (2023)⁵	<p>The 2023 government programme stressed a shift from bilateral cooperation to a focus on CSO led programming. There was also a commitment to enhance the opportunities for Finnish organisations to access funding from multilateral organisations as well as more broadly in development cooperation and development policy investments. The use of taxation policy as a way of supplementing development assistance would also be explored. In terms of thematic areas, the Government identified the role of Finnish expertise in supporting forestry and afforestation interventions, as well as efforts to improve resilience and increase the global carbon sink.</p>

Source: Evaluation team

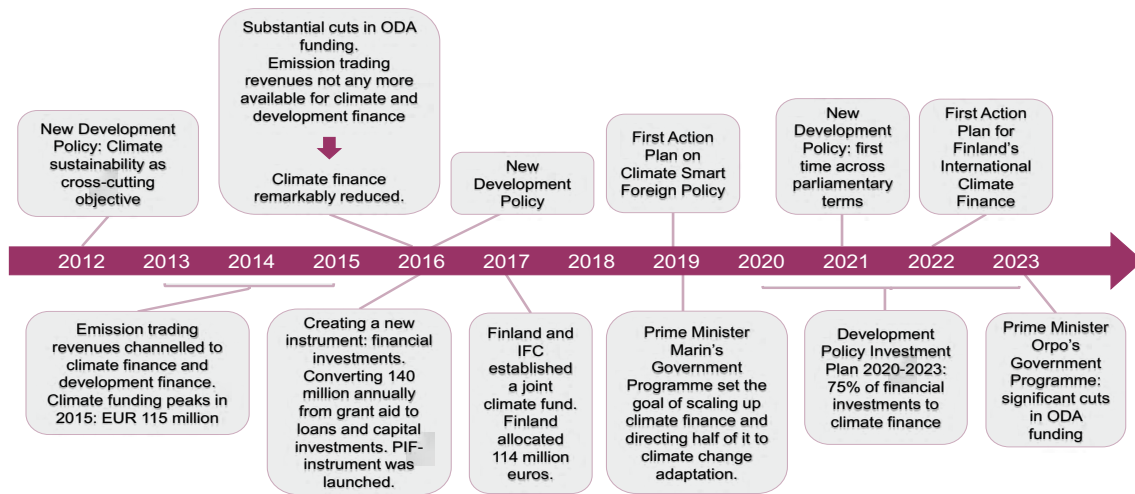
Finland has also played a wider active diplomatic role on climate – for example in promoting climate adaptation. The Champions Group on Adaptation Finance was launched at the UN General Assembly in September 2021, and has 14 members including Australia, Belgium, Denmark, Finland, Germany, Iceland, Ireland, Italy, the Netherlands, New Zealand, Sweden and the United Kingdom as well as the AfDB and is supported by the European Commission. The Group is committed to work together to respond to growing climate change adaptation needs.

Figure 3 sets out the timetable for the evolution of Finland’s Climate Finance Portfolio.

5 Ministry of Social Affairs and Health. (2021). Making Finland a Global Leader in Gender Equality. Government Action Plan for Gender Equality 2020-2023. Publications of the Ministry of Social Affairs and Health. 2021:10. https://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/162844/STM_2021_10_J.pdf?sequence=1&isAllowed=y



Figure 3 Influences on the development of Finland's climate finance portfolio



Source: Evaluation team

Note that the period between 2016 and 2021 saw a large increase in disbursement of climate finance, rising from c. EUR 43 million (2016) to EUR 175 million (2021).

3.2.2 Cross-cutting objectives

Climate finance is implemented in the context of Finland's development policy which seeks to strengthen the position of developing countries over the long term. Development policy aims to eradicate poverty, reduce inequality and achieve sustainable development. Climate change and the delivery of the Paris agreement is a core component of Development policy and serve as cross-cutting objectives for non-climate finance activities.

The cross-cutting objectives that Finland promotes in its development policy are gender equality, non-discrimination, climate resilience and low emission development as well as protection of the environment, with an emphasis on safeguarding biodiversity (from March 2022). These objectives are based on the principles of sustainable development, human rights and climate and environmental agreements and are promoted in all development cooperation regardless of the sphere of activity. These are primary objectives of all development assistance, rather than co-benefits and are therefore expected to be reflected in the climate finance portfolio.

There is also an overarching ambition to ensure that climate funding and benefits are targeted at the most vulnerable countries (e.g. Africa, Least Developed Countries (LDCs) and fragile states) and marginalised social groups in line with wider development aims and objectives.

In addition to the cross-cutting objectives, development cooperation takes into account developing countries' crisis resilience, including conflict and disaster situations, climate change and environmental degradation as well as health threats and epidemics.

Coherence with national priorities and promoting greater effectiveness and international alignment in the international offer are also a core part of Finland's development policy.



3.3 Overview of Finland's climate finance portfolio

Finland's overall climate finance portfolio is more than EUR 600 million, representing over 500 interventions across a broad range of funding instruments (multi-lateral, bi-lateral, private sector, CSO, institutional cooperation), with volumes of funding heavily skewed towards multi-lateral channels, global climate funds and Development Policy Investments (e.g. Finnfund).

Finland's overall climate finance portfolio is more than EUR 600 million, representing over 500 interventions across a broad range of funding instruments.

3.3.1 Overall climate finance

A climate finance portfolio review was undertaken during the inception stage to understand the profile of climate finance interventions across a range of characteristics (e.g. monetary value, sectoral focus, geographic distribution and relationships between these). This assessment informed the assessment of strategy, supported development of an implicit theory of change, the preparation of thematic case studies, further sampling, and results analysis. This review was then updated during evaluation implementation. The portfolio analysis is mainly descriptive, highlighting some emerging patterns. Annex 4 contains the methodological note describing the characteristics of the data set, data handling and the process for fixing data gaps relating to the Rio Markers. The methodological note also explains the rounding error within in adaptation/mitigation/total climate finance figures.

Finland's Climate Finance disbursement in 2016–2021 was EUR 663.7 million, comprising development policy investment contributions and grants-based official development aid (Table 3). According to the MFA web page, total development aid disbursements over the same period were EUR 3.7 billion.⁶ This indicates that climate finance is 18% of Finland's overall development assistance (actual ODA). Following OECD guidance and MFA practice, the returns on development policy investments in 2021 are included in these figures⁷ reducing the total reported climate finance for the corresponding year and ODA category. However, these reflows are minimal to date.

Table 3 Climate finance disbursements 2016-2021

TYPE OF INSTRUMENT	CLIMATE FINANCE /EUR MILLION	PROPORTION /%
Grants	329.8	49.69%
Loans/investments	334.0	50.31%
	663.7	100.00%

Source: MFA/Evaluation Team

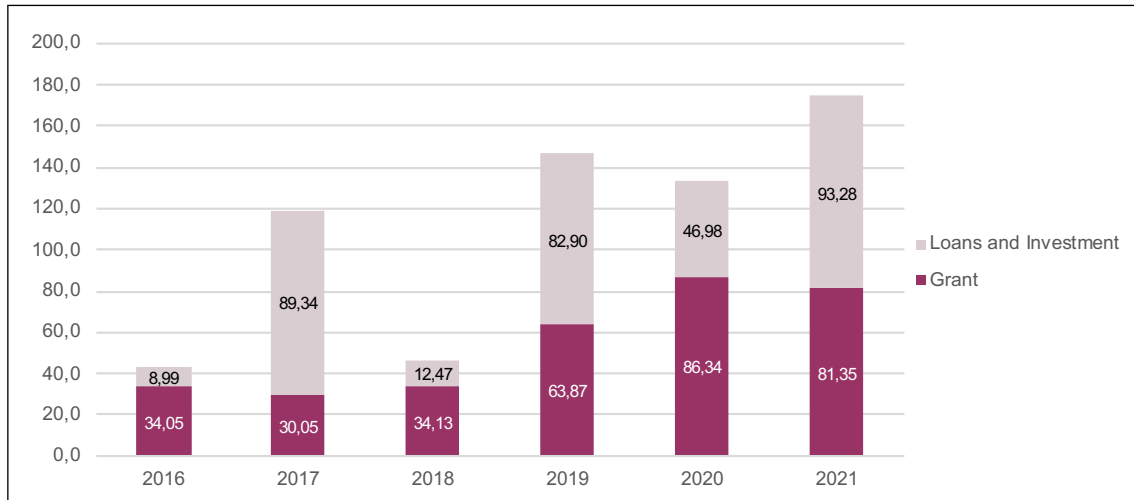
6 Extracted from the MFA OpenAid database (actual ODA), MFA (2021i). OpenAid Kehitysyhteistyön tietopankki.

7 Finnfund returns on ODA equity in 2021, project ID 2013016 and 2017022. Noted that this was the first time for such returns.



The scale of financial disbursement varies significantly by year (see Figure 4). The data mostly correspond with the figures available to the Evaluation Team in the Terms of Reference (TOR) for 2016–2020.⁸ The 2021 figure demonstrates the anticipated growth pattern of Finland’s climate finance. The annual variation in 2016 and 2018 indicates that large disbursements were recorded for the previous year and reflects the development assistance cuts under previous governments. The number of disbursements each year over the evaluation period has varied between 126 (lowest in 2017) and 232 (highest in 2018).

Figure 4 Disbursements by grants, loans and investments 2016–2021 (EUR million)

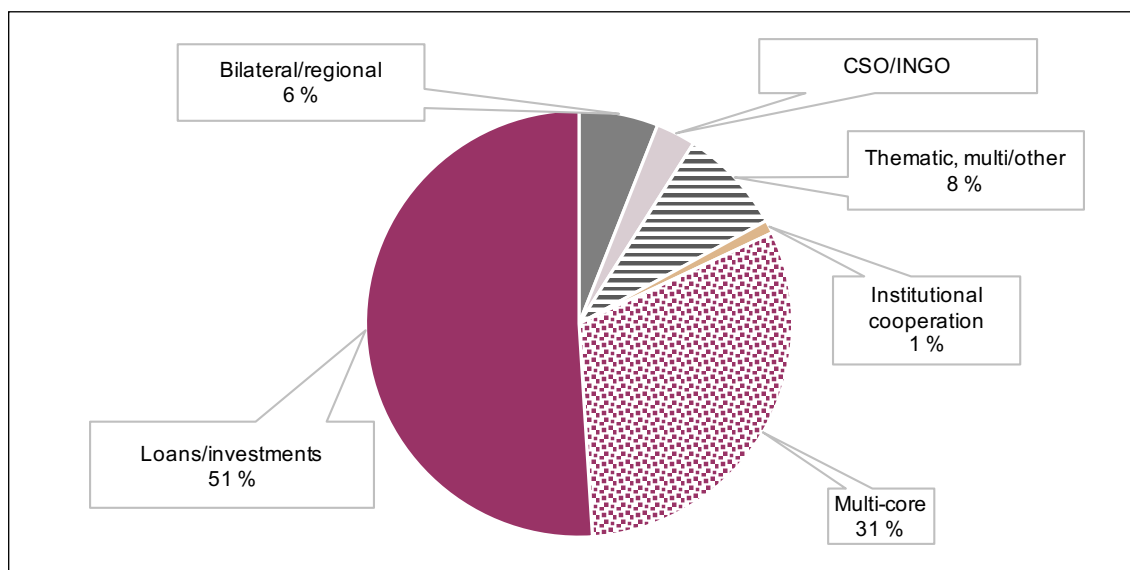


Source: MFA/Evaluation Team

Loans and investments represent half of climate finance over the period. Figure 5 and Table 4 show the division of climate financing by funding channels. The Evaluation Team established the categories as per MFA-provided ‘instrument’ details. Loans and investments disbursements cover over half of the climate finance in 2016–2021. Other multilateral channels (core funding and earmarked/thematic disbursement) are the second largest category with 31%.

⁸ The 2020 figure differs slightly.

Figure 5 Disbursement by funding channels (categories established by evaluation team)



Source: MFA/Evaluation Team

Table 4 Total disbursements by funding channels⁹

	TOTAL CLIMATE FINANCE /EUR MILLION	PROPORTION
Loans/investments	333.9	50.3%
Multi-core	206.6	31.1%
Thematic, multi/other	54.6	8.2%
Bilateral/regional	40.4	6.1%
CSO/INGO	18.5	2.8%
Institutional cooperation	6.5	1.0%
PSI-grant	1.7	0.3%
Other	0.9	0.1%
Research coop	0.7	0.1%
Total	663.7	100%

Source: MFA/Evaluation Team

While the evaluation team has utilised the recoded categories for the evaluation design and the analysis (see Annex 3), Table 5 further shows the breakdown of climate finance by the original instrument channels in the MFA data set.

⁹ Category 'other' contains Fund for local cooperation and MFA administrative disbursements.



Table 5 Breakdown of climate finance by channel and original instrument codes¹⁰

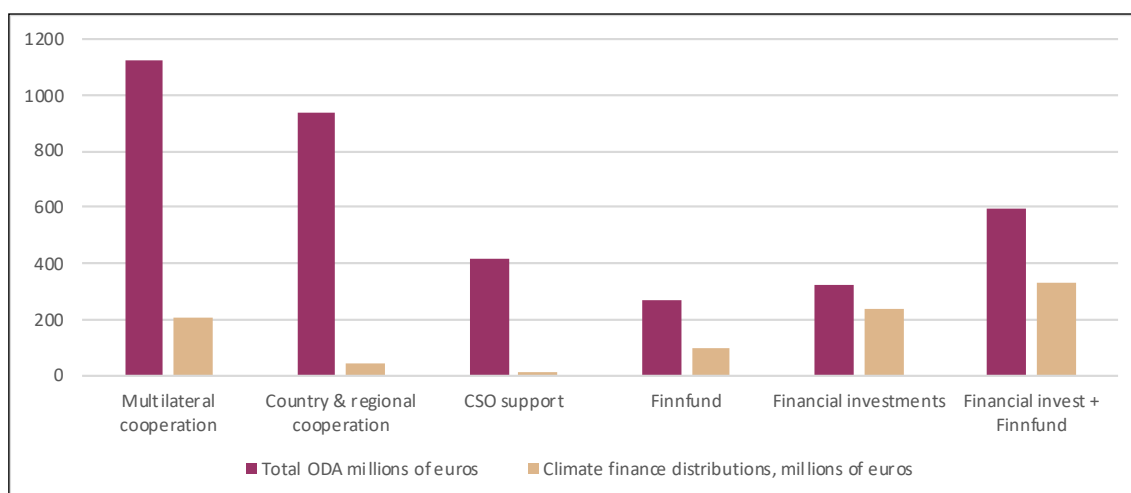
RECORDED CHANNEL AND ORIGINAL INSTRUMENT CODE	TOTAL CLIMATE FINANCE/ EUR MILLION	MITIGATION FINANCE/ EUR MILLION	ADAPTATION FINANCE/ EUR MILLION
Bilateral/regional	40.4	26.6	13.8
Bilateral programme	38.9	26.5	12.4
Multi - bi intervention	0.5	0.1	0.4
Sectoral budget support	1.0	0	1.0
CSO/INGO	18.5	6.5	12.0
Development cooperation by International non-governmental organisations	2.2	1.3	0.9
Information and development education	0.01	0.01	0
National share of European Commission-programme support	0.2	0.05	0.1
Non-Governmental Organisation (NGO) Frame Agreement sub-project	13.2	4.0	9.2
Programme support	0.5	0.1	0.4
Project support	2.5	1.0	1.5
Institutional cooperation	6.5	1.7	4.8
Institutional cooperation instrument	6.3	1.6	4.7
Local authorities' development support	0.2	0.1	0.1
Loans/investments	334.0	238.5	95.5
Concessional credit	16.7	4.7	12.0
Dev Financial Investments	221.0	164.3	56.7
Finnfund	96.3	69.4	26.9
Multi-core	206.6	103.2	103.4
Core contribution	206.6	103.2	103.4
Other	0.9	0.4	0.5
Finnfund (evaluation cost/grant)	0.2	0.2	0.02
Fund for Local Cooperation instrument	0.7	0.2	0.5
ODA-eligible administration costs (Ministry for Foreign Affairs)	0.001	0.001	0.001
PSI-grant	1.7	1.4	0.3
Finnpartnership	1.7	1.4	0.3
Research cooperation	0.7	0.2	0.6
Development Research	0.05	0	0.05
Higher Education Cooperation	0.2	0.2	0
Other development research	0.5	0	0.5
Thematic, multi/other	54.6	34.3	20.3
Earmarked/fund/theme	51.2	32.7	18.5
Multilateral thematic funding	3.3	1.5	1.8
Other multilateral aid	0.07	0.04	0.02
Grand Total	663.7	412.6	251.2

Source: MFA/Evaluation Team

¹⁰ Rounding error is explained in the methodological annex.

There were significantly differing levels of climate finance present within different types of instruments compared to their overall value. For example, financial investments with climate targets (e.g. Development Policy Investments (DPI)) saw a much higher level of climate finance as a share of overall investment, whereas this was significantly lower for those areas where there are no specific targets or strategies (e.g. bilateral cooperation, CSO support). This raises the opportunity for greater mainstreaming of climate across instruments (noting the need for flexibility and balancing different development aims and impacts). Paris alignment processes underway in multilateral cooperation also provide the opportunity to increase this share.

Figure 6 Share of climate finance relative to overall funding to development cooperation¹¹



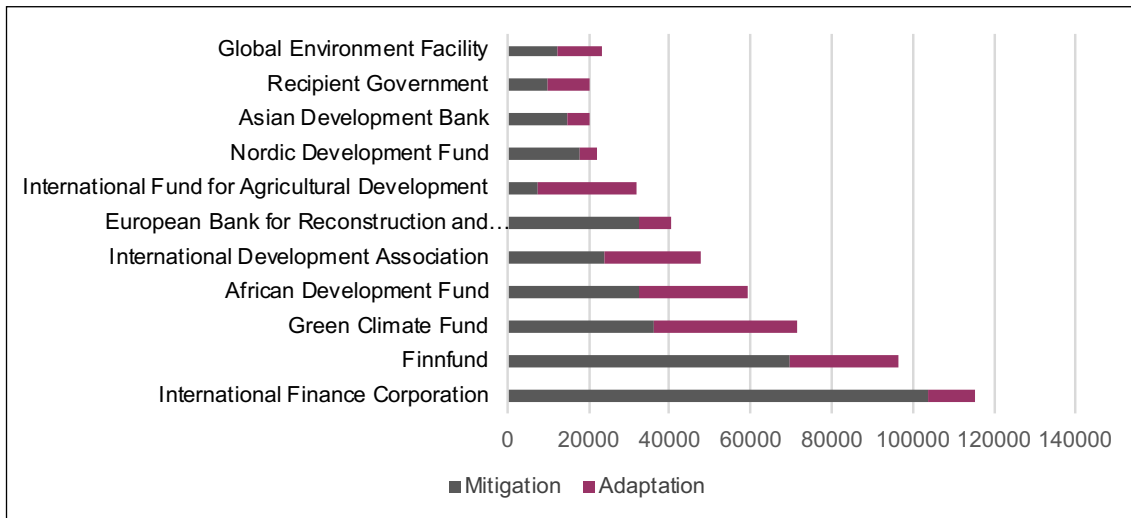
Source: MFA data analysed by evaluation team

Further exploration of the individual disbursement show that Top 10 recipient organisations received altogether EUR 500.6 million in 2016–2021 (Figure 7). This covers 75% of the total value of climate finance 2016–2021. Out of the EUR 500.6 million, 68% was mitigation-related finance. This demonstrates the strategic focus on multilateral channels and development policy investments that are heavy on sustainable energy-related interventions.

¹¹ Data from MFA (n.d.). Suomen kehitysyhteistyön määrärahat ja maksatukset 1989-2022. Note that categories are not consistent with portfolio review, but broadly approximate. See methodology annex for further details.



Figure 7 Top 10 recipient organisations 2016–2021¹²



Source: MFA/Evaluation Team

3.3.2 Mitigation and adaptation

The majority (62%) of Finland’s climate funding is derived from mainstreaming of climate into development cooperation. This reflects the inclusion of the imputed multilateral contributions into the calculation. Another large contributor to mainstreamed climate finance is Finnfund.

Finland’s climate finance is categorised by its focus on adaptation or mitigation (or both) utilizing Rio Markers and the OECD DAC purpose codes (see Table 6)¹³. In addition, each disbursement is also given a percentage value (%) for mitigation and adaptation relating to climate finance (estimated by the programme officers). The amount and percentage value for total climate finance of each disbursement is the sum of adaptation and mitigation proportions.

The MFA has, through its allocation processes, sought to balance its support for mitigation (clean energy, forestry) and adaptation (disaster risk reduction, agricultural and water resilience), alongside a geographical orientation towards Africa and Least Developed Countries.

The prevalence (number) of ‘principal’ (2) and ‘significant’ (1) Rio Markers between adaptation and mitigation do not vary significantly throughout the portfolio. As a row count the Rio-marker data set contains 829 mitigation-related records and 788 adaptation-related records. However, proportionally mitigation is a significantly larger group. Total climate finance contribution of EUR 663.7 million or 62% is mitigation-related climate finance and 38% is adaptation. Adaptation as the principal goal of intervention represents only 7% of the entire portfolio.

¹² The categories were manually compiled from multiple disbursements lines and recipient codes. GEF includes the core fund and the LDC Fund.

¹³ The evaluation team is mindful of the ongoing enhancements regarding the guidelines and practices of utilising the markers. (See also the methodological note.)



At the same time, the portfolio contains 163 disbursements that are 100% climate finance (either Rio Marker 2 interventions or Rio Marker 1 + 1 on adaptation and mitigation). This constitutes 51.3% of the total climate finance portfolio.

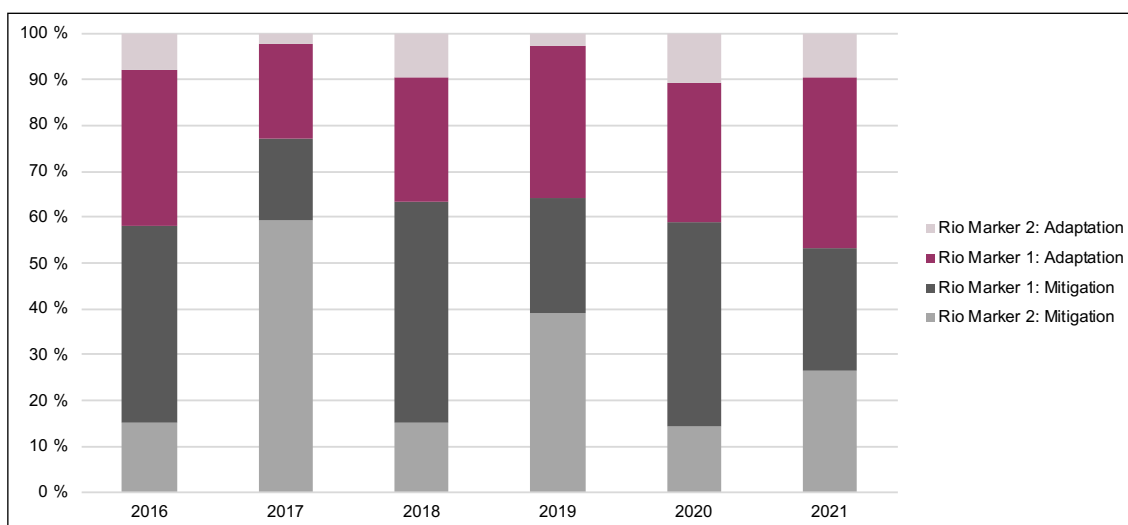
Table 6 Portfolio emphasis by Rio Markers¹⁴

	CLIMATE FINANCE/EUR	PROPORTION/%
Rio Marker 1: Adaptation	205.4	31%
Rio Marker 2: Adaptation	45.8	7%
Rio Marker 1: Mitigation	205.2	31%
Rio Marker 2: Mitigation	207.4	31%
Total	663.8	100%

Source: MFA/Evaluation Team

While the amount of climate finance has fluctuated significantly over the years, Figure 8 shows a careful increase in the proportion of climate adaptation financing since 2019. This indicates progress towards the 50/50 commitment between mitigation and adaptation finance.

Figure 8 Division of annual disbursements by Rio Markers



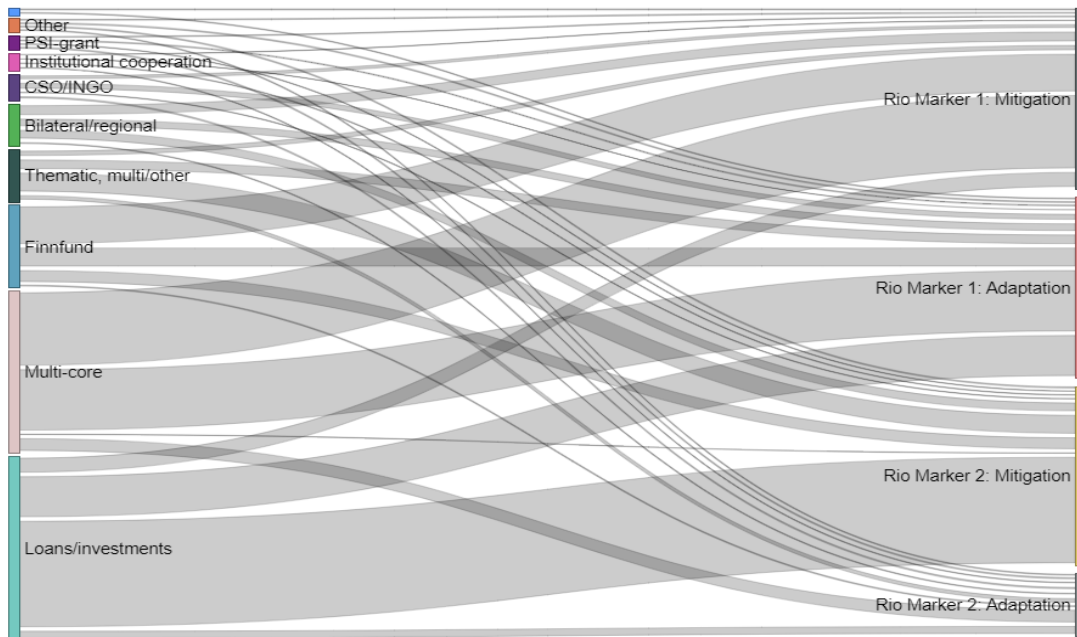
Source: MFA/Evaluation Team

The flow chart (Figure 9) demonstrates how different grant and investment -based climate finance channels have been distributed by the marker data. It should be noted that Finnfund was put into its own category in this graph due to the scale of financing. The significant mitigation contributions from loans and investments channel can be explained by the IFC blended finance disbursements. Adaptation (as the 'principal' objective) is not a focus in any particular funding channel.

¹⁴ Rounding error is explained in the methodological note.



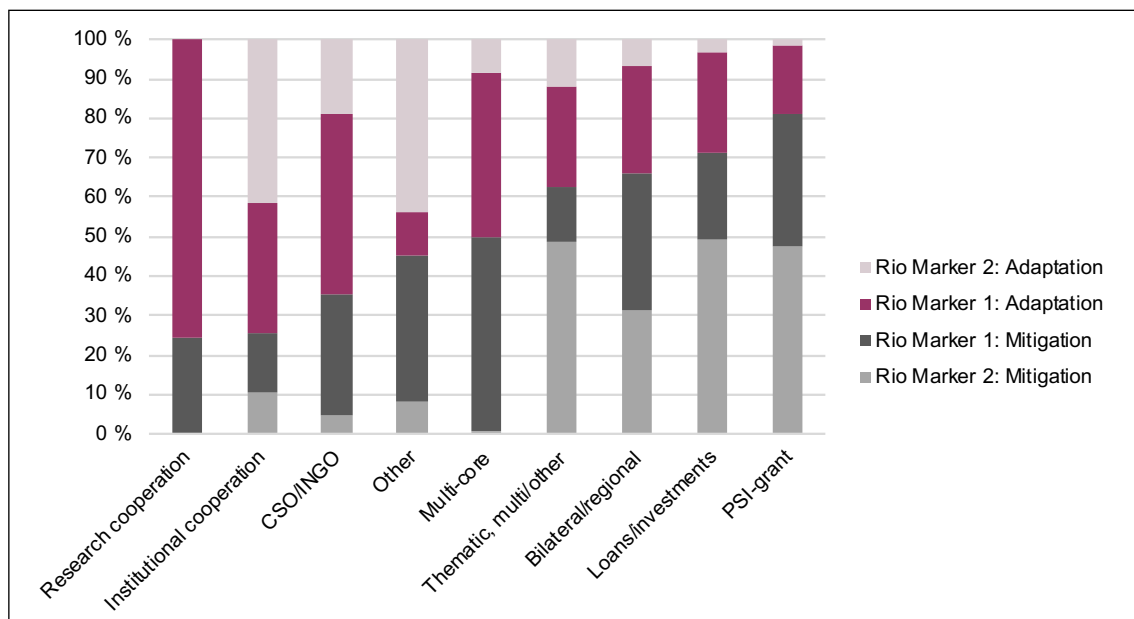
Figure 9 Flow of grant and loans/investments -based climate finance by Rio Markers



Source: Evaluation team (based on the data from MFA)

The focus on climate change mitigation and adaptation also varies by funding channels. Figure 10 for example, shows how research cooperation, institutional cooperation, CSO programme and project-based support and ‘local fund for cooperation’¹⁵ focus on adaptation (Rio Marker 1 or 2). At the same time these adaptation-focussed channels represent only 4% of the total climate finance portfolio. Multilateral core funding, which represents overall 31% of the total portfolio, is 50% adaptation finance (mostly Rio Marker 1 contributions).

Figure 10 Focus on mitigation and adaptation by channels (recoded channels)



Source: MFA/Evaluation team

¹⁵ This represents a large part of the category ‘other’.



3.3.3 Sectoral patterns

Energy represents that largest sectoral focus of the portfolio. Table 7 presents the climate finance portfolio by indicative sectors. The categories were established based on the OECD DAC purpose code in the original data set. The original data set contains 97 sector category codes. These below indicative sector categories represent 96% of the total climate finance volume. Energy sector reflects the focus of large development policy investment decisions. In the forestry sector, Finland has historically been an active actor (and currently still is in Tanzania). Disaster risk reduction and meteorological services are here grouped together by the evaluation team. This indicates visible ÍCI collaboration in relation to climate finance.

Table 7 Sectoral allocation of Finnish Climate Finance (OECD DAC codes)

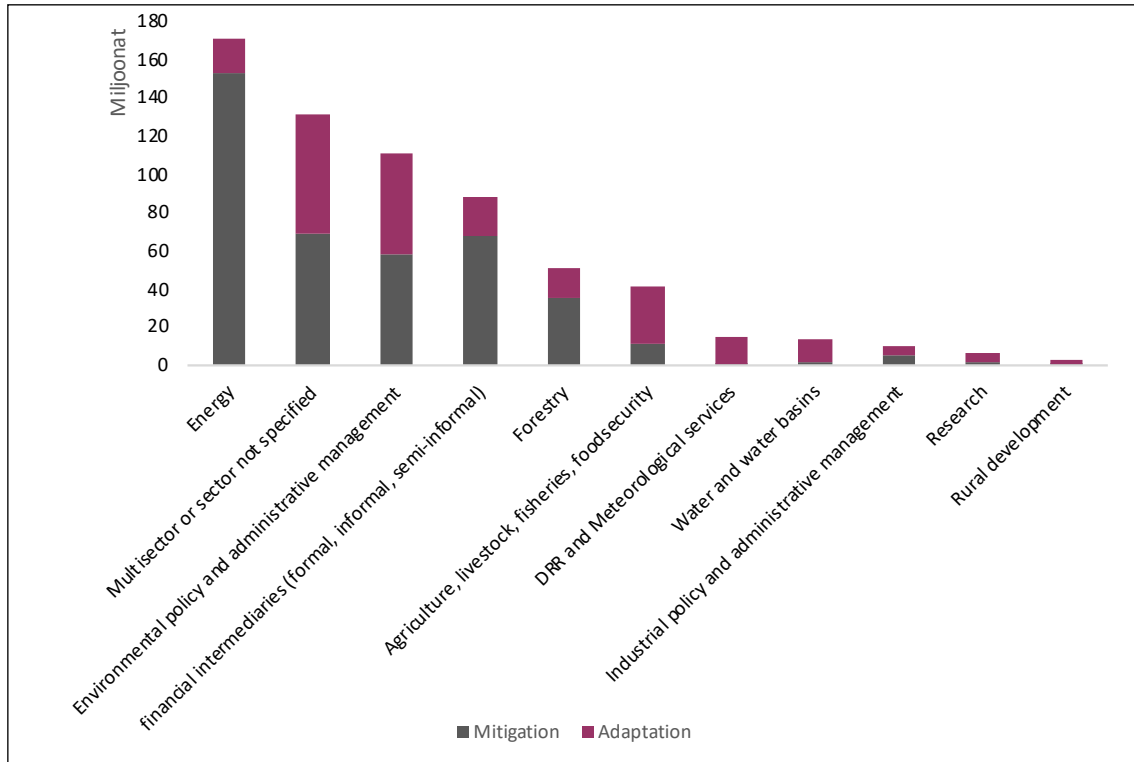
	CLIMATE FINANCE/ EUR	PROPORTION/%
Energy	170.2	26.6%
Multisector or sector not specified	130.6	20.4%
Environmental policy and administrative management	111.1	17.4%
Financial intermediaries (formal, informal, semi-informal)	88.5	13.8%
Forestry	51.0	8.0%
Agriculture, livestock, fisheries, food security	41.6	6.5%
DRR and Meteorological services	14.3	2.2%
Water and water basins	13.1	2.0%
Industrial policy and administrative management	9.9	1.5%
Research	6.8	1.1%
Rural development	2.8	0.4%

Source: Evaluation team (categories established based on the MFA data)

Adaptation finance dominated the smaller instruments and financing volumes, with larger financial flows in mitigation-oriented sectors.



Figure 11 Indicative sectoral focus split by mitigation/adaptation



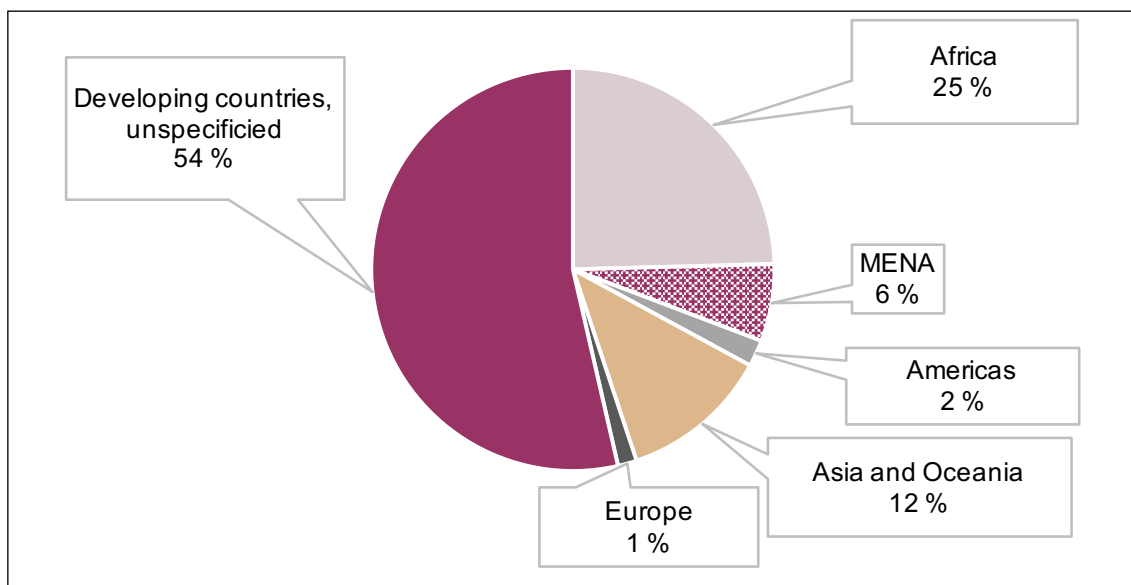
Source: Evaluation team (categories established based on the MFA data)

Figure 11 shows the split of mitigation and adaptation finance within in each sector. As can be seen, the majority of finance in the energy sector, forestry sector and through financial intermediaries (which in turn support energy and energy efficiency/infrastructure investment) is focussed on greenhouse gas mitigation, with only limited allocation to adaptation and resilience (although these may offer unrecognised co-benefits in the case of forestry). Other sectors (e.g. water, DRR) are naturally more resilience oriented. Broader multi-sector or environmental policy support tends to be more evenly balanced.

3.3.4 Geographic patterns

Over half (54%) of Finland's international climate finance is allocated without a country or regional specification with Africa being the largest region identified. This is expected, considering the focus on multilateral funds and investment mechanisms with the flexibility to allocate as per regional priorities. 31% of the climate finance disbursement target Africa as regional programming (as Africa regional, North of Sahara or South of Sahara) and 12% Asia (when Oceania is included).

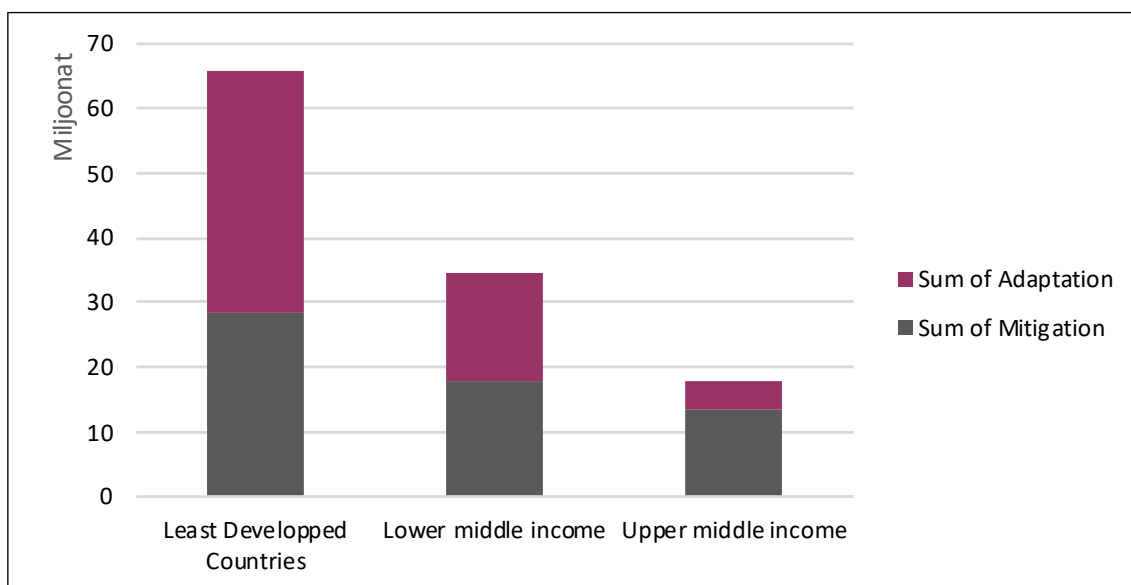
Figure 12 Approximate geographic focus of Finland’s climate finance portfolio (EUR million)



Source: MFA/Evaluation team

Most climate finance is delivered through global channels with only 17% (EUR 117 million) of the climate finance disbursed with a country specification. This is in large part due to the strong multilateral focus of climate finance. Out of those, 56% reached LDC, 29% to lower middle-income countries (LMIC) and 15% upper middle-income countries (UMIC). Adaptation financing was highest for the LDC and lowest to the UMICs. These figures do not include regional or multilateral support focusing on LDCs.

Figure 13 Mitigation and adaptation finance by country income categories (OECD DAC categorisation)¹⁶



Source. Evaluation team, MFA

¹⁶ Tanzania is still categorised by the OECD DAC as a Least Developed Country.



The top country-specific recipients, Tanzania, Nepal, Vietnam and Ethiopia, received less than 10% of the total climate finance allocations in 2016-2021, totalling EUR 47.8 million. All four countries have been Finland's long-term partners. Tanzania, Nepal and Ethiopia are bilateral partner countries in Finland's development cooperation. All these large recipients are categorised as LDCs¹⁷.

In Vietnam Finland's focus has shifted toward trade, research and education-related co-operation. Figures in Table 8 and Figure 13 exclude regional or multi-country interventions and programmes that channelled climate finance to these locations (e.g. multilateral thematic programming, multi-core funding, CSO regional programmes, and investment portfolios that Finland financed). Considering these additional channels Finland's climate finance to these countries could be significantly higher. For instance, OECD climate statistics including also imputed multilateral contributions indicate much larger Finland-contributed climate finance to these countries¹⁸.

Table 8 Scale and type of climate finance by key countries (EUR million)

COUNTRY AND TYPE OF CHANNEL	Tanzania	Nepal	Ethiopia	Vietnam
Bilateral programme	11.8	2.6	2.6	---
Concessional credit	---	---	5.0	7.3
Earmarked/fund/theme	0.9	2.3	---	---
Finnfund	0.7	4.8	0.2	---
Finnpartnership	0.1	0.1	---	0.1
Fund for Local Cooperation instrument	---	---	0.1	0.2
Institutional cooperation instrument	0.6	0.4	0.1	0.6
Multi-bi intervention	---	0.4	---	---
NGO Frame Agreement sub-project	1.7	1.2	1.1	---
Project support	0.1	0.2	---	---
Sectoral budget support	---	---	1.0	---
Total	15.9	12.0	9.9	10.0

Source: MFA/Evaluation team

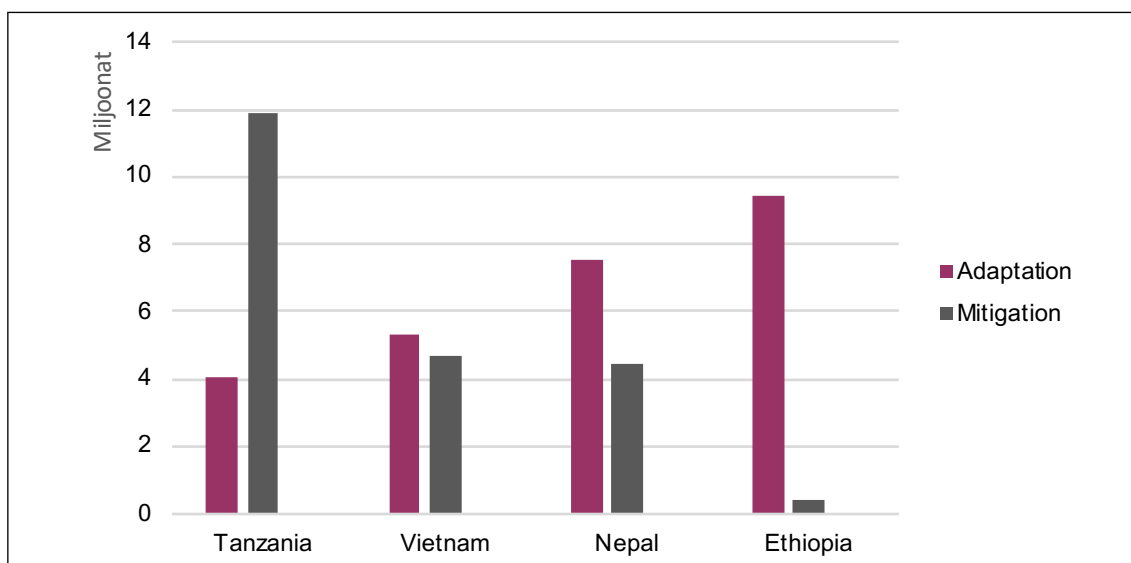
Figure 14 further specifies the climate finance allocations to these countries as per mitigation and adaptation.

17 Tanzania has recently moved to the middle-income category in the World Bank classification.

18 OECD. (2021). Climate Change: OECD DAC External Development Finance Statistics. OECD.



Figure 14 Focus at the country level (EUR million)



Source: MFA/Evaluation team

Table 9 shows the sectoral focus in these four countries. This table utilised the original OECD DAC purpose code names. The table shows only those sectors that have received EUR 100.000 or more climate finance. It demonstrates how sector-wise versatile Finland's climate finance portfolio is. For each of these countries, these sectors represent over 96% of the climate finance portfolio summarised in Table 9 (climate finance allocated directly to these countries). Climate finance (where allocated through country level programming) covers a broad range of sectors (energy, agriculture, water, disaster risk, forestry) with each country having one or two areas of primary focus (e.g. Tanzania forestry) supported by a broader portfolio of wider sectoral interventions (either through dedicate climate programming or climate mainstreamed in other sectoral interventions).



Table 9 Sectoral allocation in largest recipient countries of Finnish climate finance (EUR million)

ETHIOPIA	DISBURSEMENT BY THE OECD CODES/ EUR MILLION
Meteorological services	4.96
Basic drinking water supply and basic sanitation	2.77
Water supply and sanitation - large systems	0.76
Basic drinking water supply	0.41
Disaster Risk Reduction	0.30
Rural development	0.24
Information and communication technology (ICT)	0.23
NEPAL	DISBURSEMENT BY THE OECD CODES/ EUR MILLION
Hydro-electric power plants	2.79
Basic drinking water supply	2.50
Informal/semi-formal financial intermediaries	1.25
Education policy and administrative management	1.00
Agricultural development	0.68
Water sector policy and administrative management	0.60
#N/A	0.76
Multisector aid for basic social services	0.57
Basic drinking water supply and basic sanitation	0.52
Environmental policy and administrative management	0.36
Biodiversity	0.31
Multi-hazard response preparedness	0.20
TANZANIA	DISBURSEMENT BY THE OECD CODES/ EUR MILLION
Forestry development	8.46
Forestry policy and administrative management	4.05
Advanced technical and managerial training	0.86
Human rights	0.62
Agricultural development	0.47
Research/scientific institutions	0.42
Agricultural extension	0.17
Multisector aid for basic social services	0.16
Rural development	0.13
VIETNAM	DISBURSEMENT BY THE OECD CODES/ EUR MILLION
Research/scientific institutions	5.37
Forestry policy and administrative management	1.12
Sanitation - large systems	1.09
Electric power transmission and distribution (centralised grids)	0.68
Waste management/disposal	0.40
Water sector policy and administrative management	0.37
Environmental research	0.28
Environmental policy and administrative management	0.20
Water supply and sanitation - large systems	0.16
Radio/television/print media	0.14

Source: MFA/Evaluation team



3.3.5 2022 Climate Finance – initial data

Although not included in the analysis, MFA shared the initial list of 2022 climate finance disbursements with the Evaluation Team. This data is not final and thus it has not been included in the above analysis. The 2022 list contains 21 disbursements to a value of EUR 115 million in total. Of this, 63% was mitigation financing with 37% for adaptation. As per previous year, loans and investments together with multilateral channels represented a significant part of disbursements (85%).¹⁹ Recipients and partners were broadly the same as in previous years. Larger disbursements were made to the Green Climate Fund (GCF-1), International Development Association (IDA-17), Accelerator Multi-Donor Trust Fund (ACL), African Development Fund (ADF-13). The list also includes disbursements for some of the ongoing bilateral initiatives and CSO programmes, which have received climate finance in the previous years. New initiatives in the lists are the Finland- Inter-American Development Bank (IDB) Invest Blended Finance climate fund, Food and Agriculture Organization (FAO) forestry information initiative and Systematic Observations Finance Facility (SOFF) led by The United Nations Environment Programme (UNEP), the United Nations Development Programme (UNDP) and the World Meteorological Organization (WMO).

¹⁹ Multilateral here implies to both core funding and thematic multilateral allocations.



4 Findings

4.1 Relevance and Coherence of Finland's climate finance

This section addresses EQ1: To what extent is the Finnish international climate finance relevant to and coherent with national, global development and climate agendas and the priorities of those involved and affected?

4.1.1 Strategic prioritisation in Finland's climate finance

Finding 1. The MFA lacks a clear strategy for climate finance, but has still delivered a broadly sensible and coherent set of climate finance interventions.

Finland has lacked an overall strategy for the different instruments delivering climate finance.

The development of Finland's Climate Finance portfolio has been incremental over time and climate change has increased in visibility and importance as a theme since 2012. Climate change is signalled as a political priority across a range of documents and is a core part of Finland's development policy. However, Finland's climate finance continues to lack an overall strategic framework that allows for clear prioritisation in

terms of activities and modalities (as has been noted across a range of evaluations and assessments). There are some high-level guiding principles (e.g. balancing mitigation and adaptation, geographical weighting to Africa) and dedicated commitments (e.g. multilateral contributions and private sector instruments). The recent Action plan (2022), while setting out an overall budget envelope for grant finance for the period 2022-2026, is primarily a reflection of ongoing activity, rather than a statement of targets or allocation priorities. Indeed, it is not clear how a top-down climate finance target fits with a portfolio which is calculated based on Rio-Marker mainstreaming assessment and classification. Targets have proven successful in raising ambition levels of other development partners, the most notable example being the MDBs, where input targets led to an integration of climate considerations more broadly into activities. Furthermore, annual budgeting approval processes (albeit often within longer-term intervention level commitments) can undermine strategic multi-year programming.

Partly due to the absence of clear strategic framework, the climate finance portfolio can appear at first sight as a broad and somewhat disjointed collection of dedicated climate funding and mainstreamed climate programming. The portfolio consists of a combination of contributions through a range of instruments, including commitments to climate funds (e.g. GCF), the DPI instrument with a target of 75% for climate and the mainstreaming of climate in other instruments (e.g. CSO, ICI, Finnfund) which is then subsequently captured as part of the Rio Marker process, Regional and bilateral programming (although reducing in scale and importance) also



provides a significant proportion. These instruments do not currently work as a coherent whole (with each having their own framing, purposes and priorities) 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. There is a high degree of decentralised programming and separated budget authority within the MFA, particularly in regional departments. As a result, 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 (e.g. to UNFCCC, EU), rather than the result of a strategy.

Box 1 Mainstreaming of climate change in Finland's development finance portfolio

The Coalition of Finance Ministers for Climate Action.

A significant proportion of Finland's climate finance is identified as Rio Marker 1 under the OECD DAC Rio Marker process (i.e. it is a significant, rather than a principal objective of the programme or funding under consideration). In practice, this means that the MFA has reviewed the programme documentation and identified a share of funding within the project or programme that contributes to climate outcomes, even where this may not be the main objective of the intervention (or it is simply a co-benefit). This may include activities that help strengthen the resilience of people, ecosystems and societies to climate risks and impacts, or reduce emissions and facilitate the transition to low emissions development in line with the temperature goals of the Paris Agreement).

From a mainstreaming perspective, MFA uses its cross-cutting objectives guidelines to promote the uptake of climate action in the portfolio beyond Finnish contributions to dedicated climate funds. Climate resilience and low emissions development are two of five Cross-cutting Objectives (CCO) (previously a single merged objective climate sustainability) – the others being gender, non-discrimination and biodiversity. These guidelines mandate a minimum 'do no harm standard', but also propose a number of approaches, including mainstreaming (ensuring climate is considered across the intervention), targeted action (ensuring that all or part of the programme has activities and outcomes supporting climate action), and policy influencing (seeking to include these climate considerations in Finnish policy documents and engage in the international debate).

Increasingly, governments and international institutions are expected to align their funding and activities with the Paris Agreement through a process known as 'Paris Alignment'. This would mean moving from a minimum 'do no harm standard' to a stronger mandate for mainstreaming, targeted finance and policy influencing approaches where feasible. Some institutions (e.g. MDBs, Finnfund) are already taking an active approach in their own portfolios. In addition, the alignment between the cross-cutting guidelines (what gets included in programming) and how programmes are classified for climate finance reporting purposes (Rio Marker process principal vs. significant) is not clear and it would be sensible if the two processes were brought together in a more structured way.

Source: Evaluation team assessment and interviews



Approximately half of the portfolio represents climate mainstreamed into broader development interventions.

Due to the lack of a consistent framework, the identification and approval of new programming is shaped through a patchwork range of both formal and informal influences. Alongside formal framing documents (e.g. Development Policy, Action Plan), choices are informed by the political agenda and there are informal and ad-hoc influences from private sector and Finnish institutions. Multilateralism and good global governance are also core considerations. In institutional

terms, MFA appears to play the core role in origination (with advisers having a role in surfacing opportunities), but Ministry of Finance (MoF) and Prime Minister's office also play an active (if smaller) role. Political leadership sometimes identify opportunities that emerge from institutional and diplomacy interactions. There are ongoing efforts at technical level within MFA to create cross unit and departmental alignment and to address siloing (in part to overcome the lack of an integrated guiding framework). Budget cuts (to the aid budget and to the administration of aids) and human resourcing is a key constraint and also influences strategic choices around programming and allocation. This also contributes to some extent to a preference for larger multilateral contributions over bilateral or other instruments which have larger transaction costs relative to their size – a trend that is not only visible in terms of climate finance but also in the context of wider Finnish development assistance.

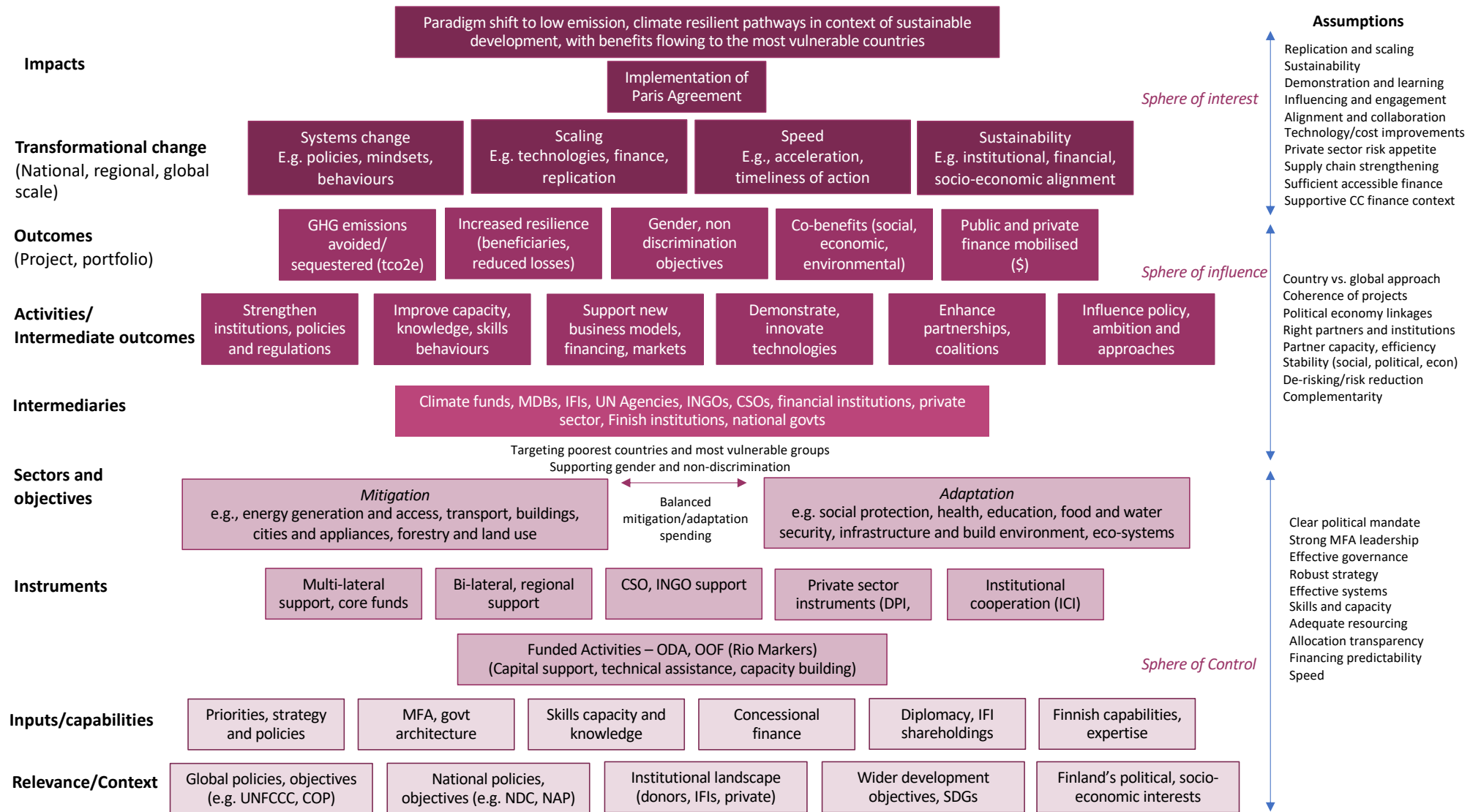
The overall portfolio of different interventions and instruments represents a broadly sensible and coherent set of funding choices.

Despite this, a retrospective view on Finland's portfolio reveals a broadly coherent approach to allocation and programming, even if one lacking in specific areas of focus or prioritisation. The outcomes, objectives and ambition within the climate finance portfolio represent a broadly coherent and sensible approach to climate finance allocation, albeit without specific areas of thematic focus or prioritisation. This generalist approach is shown in a retrospective theory of change (Table 10), constructed to surface the implicit

drivers and scope of the portfolio. These drivers are further elaborated in the discussion on Relevance below.



Table 10 Theory of Change





4.2.1 Instrument-based approach to strategy

Finding 2. MFA instruments form the basis for Finland's climate finance approach, with each offering specific opportunities and constraints for strategic delivery.

Each MFA instruments plays a different role in delivering on climate finance objectives.

Based on a review of the channels through which Finland's climate finance is disbursed, different MFA instruments offer different routes to outcomes and impact. Each instrument within the MFA portfolio offers different strengths and weaknesses. Different combinations of instruments will be required to ensure that

the full range of climate outcomes is met. Parameters include the following as set out in Table 11:

- a. *Dedicated vs. opportunistic* – whether instruments provided dedicated climate change funding or respond to market demand/interest through a more mainstreaming approach.
- b. *External alignment/coherence*: Extent to which instruments are likely to support or be aligned with international or developing country priorities on climate or wider development.
- c. *Thematic focus*: Whether an instrument is more likely to be suitable for or trend towards support for mitigation or adaptation.
- d. *Influencing/diplomacy focus*: To what extent an instrument is likely to be useful in influencing policy (multilateral, national, institutional) or supporting wider diplomatic/development aims.
- e. *Geographic orientation*: Whether an instrument is more likely to be deployed in transition/middle income or LDC/Small Islands Development States (SIDS) context.
- f. *Transformation/Scale*: The likelihood of achieving systemic change or large-scale impact through replication and adoption (potentially influenced by the scale and/or context of instrument)
- g. *Private finance*: Extent to which instruments are likely to support private sector development and finance mobilisation.
- h. *Cross-cutting*: Potential for contributing to wider development impact (e.g. gender, Human Rights-Based Approach (HRBA)) alongside climate outcomes.
- i. *Finnish interests*: Potential for participation of or engagement with Finnish institutions or companies.

As can be seen from the table, the instruments vary significantly in their scale, scope and orientation. For example, CSO type interventions tend to be more focussed towards adaptation and resilience, are more commonly delivered in poorer and more fragile country contexts, have a strong focus on social outcomes and livelihoods and allow for the direct participation of Finnish CSOs as implementing partners. In contrast, development policy investments tend towards more commercial opportunities associated with climate mitigation, operate in higher income country contexts, are much larger in scale, have a strong private sector orientation, but struggle to use Finnish companies in their implementation model.

Over the period, the bulk of climate finance has been channelled through multilateral instruments (core contributions, climate funds, development policy investments to MDBs) and Finnfund. There are implications of this approach, both positive (e.g. larger scale transformative approaches, an enhanced focus on private sector and mitigation), but also potential trade-offs (including potential barriers to entry for Finnish institutional participation, challenges in attribution and reporting, longer timescales a less clear focus on adaptation and more limited community engagement). While different elements may have their own climate strategy (e.g. Development Policy Investments), the lack of an overall narrative and limited transparency around priorities and trade-offs between instruments reduces clarity and makes it challenging to assess overall success or progress against strategic intent or justify funding approaches and decision making.



Table 11 Overview of MFA instruments and orientation

	DEDICATED VS OPPORTUNISTIC	EXTERNAL ALIGNMENT, COHERENCE	THEMATIC	INFLUENCING/ DIPLOMACY	GEOGRAPHIC	TRANSFORMA-TION/SCALE	PRIVATE FINANCE / MARKETS	CROSS-CUTTING (GENDER, NON-DISCRIMINATION)	FINNISH INTERESTS
Dev Pol Invest.	Both	Possibly, weak elaboration. Transactions.	Broad (trends heavily mitigation)	Transaction focused, more towards MDBs	Trends towards (L) MICs	Potentially large, but transaction based	Strong, varied mobilisation e.g. MDBs	Evolving. Shifting from returns to impact but slow	Ambition exists, but limited (excl. domiciled funds)
ICI/ Research	Reactive	Aligned but not proactive	Broad (trends adaptation)	Strong networks (diplomatic substitute)	Broad	Low	Low	Low-medium (technical focus, compliance)	High – Direct funding (incl. companies)
Multi-thematic	Dedicated	Intermediary focused	Trends mitigation	Some link to policy dialogues	Broad	Potentially high	Mixed	Mixed	Limited access
Multi-core (incl. MDBs core)	Both	High (but through intermediary)	Broad based	Paris Agreement Alignment	Broad	Potentially high	Mixed	Aspire towards	Limited (procurement)
CSO	Reactive	High (country/ community priorities)	Trends adaptation	Mixed (some influence in CSO networks, policy)	LDC, Fragile states	Demonstration focused, limited replication	Small scale markets and value chains	High	Direct Funding, attempts to link to commercial
PSI	Reactive	Limited	Trends mitigation	Low	(L)MICs	Low (small scale)	Limited	Low	High (Direct funding)
Bilateral/ regional	Mostly reactive	High alignment in theory	Both	High (when properly coordinated)	Priority countries	High – national level systems	Market systems, value chains	High	Attempts to link to other Finnish actors



4.1.3 Relevance to global and developing country objectives

Finding 3: Finnish climate finance is strongly aligned with the Paris Agreement, and supportive of developing country needs and climate ambition.

Finnish climate finance is aligned with and highly supportive of goals of the Paris Agreement and developing country needs.

Reflecting its commitments to multilateralism and the Paris Agreement, Finland's climate finance is highly relevant to international efforts on climate change. Finland's support for the key multilateral funds, and participation in a range of multilateral platforms has allowed it to signal its commitment to the international aims of the Paris Agreement and the financial architecture intended to deliver it. Its balance between adaptation and mitigation spending reflects

the call for scaling and equality of adaptation finance under the UNFCCC. Based on feedback from interviews with stakeholders in key climate financing institutions, Finland is regarded as a reliable and supportive partner by both the climate funds and the MDBs.

Box 2 Global framework for climate action under the UNFCCC

UNFCCC Paris Agreement

Finland's efforts are primarily supportive of delivery of the *Paris Agreement*, a legally binding international treaty on climate change negotiated under the UNFCCC. It was adopted by 196 Parties at the UN Climate Change Conference (COP21) in Paris, France, on 12 December 2015. Its overarching goal is to hold 'the increase in the global average temperature to well below 2°C above pre-industrial levels' and pursue efforts 'to limit the temperature increase to 1.5°C above pre-industrial levels.' To achieve this, greenhouse gas emissions must peak before 2025 at the latest and decline 43% by 2030. The process works through a series of 5-year negotiation and reporting cycles, over which countries ratchet up their ambition by strengthening their nationally determined contributions (NDCs) and longer-term emission strategies. As part of the agreement, developed countries agreed to take the lead in providing financial assistance to countries that are less endowed and more vulnerable, in order to facilitate the reduction in Greenhouse Gas (GHG) emissions as well as adapt to emerging climate stresses and natural disasters. Finland has been a key partner in supporting this process through its international climate finance.

Source: United Nations Climate Change. (2023). *Synthesis Report of the First Global Stocktake*.

The portfolio is also well aligned with developing country priorities and needs. Multilateral channels provide strong evidence in their reporting of their consideration of national sectoral priorities (e.g. Nationally Determined Contributions, National Adaptation Plans, Low Emission, and other sectoral strategies). Reviews of bilateral programming documentation and discussions with Finnish embassies confirm that programming is closely developed in line with national partners and their priorities. CSOs are sensitive to both national and community level priorities, particularly on adaptation and wider development concerns as their programming tends to be developed on the ground in conjunction with local stakeholders. There is more limited evidence of consideration in development policy investments and private sector efforts as these tend to be primarily commercially oriented and transaction focused, although larger investments by MDBs align with national priorities. For example, in Tanzania the focus on forestry aligns the climate finance portfolio with



the NDC, while the long-term programming in forestry has been driven by livelihoods and economic development priorities (where relevant). Contributions to core budgets are also less transparent in terms of their country orientation.

4.1.4 Coherence with Finnish development policy and climate diplomacy objectives

Finding 4. Climate finance has helped deliver wider development objectives (gender, human rights), but synergies with climate diplomacy are not well exploited

There is strong alignment between the climate finance portfolio and wider development policy aims. Based on the sub-portfolio review, the evaluation finds that there is a strong overlap between climate finance and other development policy initiatives. This is in part because a significant proportion of climate finance is mainstreamed (i.e. it is a co-benefit of programmes with other development objectives). Finland also takes a robust approach to mainstreaming other development objectives (e.g. gender, human rights, disabilities). As a result, development policy objectives are well aligned and integrated into climate finance interventions. Other development policy objectives can be found across all instruments, although it has been more challenging for some private sector instruments and development policy investments to include other development policy aims (particularly where there is a strong commercial focus). More detail on these co-benefits is presented in section 4.2.5.

In parallel to its climate finance portfolio, Finland has taken a strong position in international climate diplomacy. Finland has been an active partner in the international arena on supporting more robust international climate finance, including its work on a number of initiatives including The Coalition of Finance Ministers for Climate Action (see Box 3), the Champions Group on Adaptation Finance, and its active engagement with EU climate finance policy. Finland's contributions to international climate funds have provided it with the credibility to lead on these international diplomatic commitments.

Finland's support for multilateral institutions and its development policy investments through MDBs also allow it the opportunity influence the international institutional architecture. The MFA channels most of its funds through multilateral bodies (MDBs, climate funds). These funds provide an additional point of influence that can be used alongside Finland's existing role as board member or shareholder to improve the effectiveness of the multilateral architecture in areas such as climate ambition, transparency, reporting and collaboration.

Potential synergies between Finnish climate finance and climate diplomacy have not been well exploited.



Box 3 Finland's convening power for climate action

The Coalition of Finance Ministers for Climate Action.

At the 2018 Annual Meetings of the World Bank Group and the International Monetary Fund in Bali, Indonesia, governments from 39 countries came together to boost their collective engagement on climate action. Several governments expressed strong support for the development of a Coalition of Finance Ministers, which would promote cohesion between domestic and global action on climate change, boost ambitions, reaffirm commitments, and accelerate actions to implement the Paris Agreement.

In December 2018, the Finance Ministers of Chile and Finland, supported by a Secretariat hosted by the World Bank and the International Monetary Fund (IMF), agreed to co-lead the Coalition and invited other governments to meet in Helsinki and discuss its structure, focus, and goals for the coming two years. The inaugural Sherpas meeting was hosted in Helsinki in February 2019, bringing together representatives from 19 countries and seven international institutions.

On April 13, 2019, governments from 26 countries joined forces to launch the Coalition of Finance Ministers for Climate Action, which recognised the challenges posed by climate change, the unique capacity of the world's finance ministers to address them, and the ways in which these efforts could be strengthened through collective engagement.

Since its launch, finance ministers from over 80 countries have signed on to the 'Helsinki Principles', a set of six principles that promote national climate action, especially through fiscal policy and the use of public finance. The Helsinki Principles are designed to be aspirational; they are non-binding and are not listed in any order of priority.

Source: *The Coalition of Finance Ministers for Climate Action – An Overview*.²⁰

However, there has been limited cross-fertilisation between climate diplomacy and the climate finance portfolio. To date, there is limited alignment or leveraging of the climate finance portfolio to support wider climate diplomacy aims. There is no funding for example from the climate portfolio to directly support potential programmatic activity under the Coalition of Finance Ministers or the Champions Group on Adaptation Finance (although finance is aligned through the instruments). This is in part due to a separation in management structure oversight between climate finance and climate diplomacy which has hindered close cross working over the period under review. Interviews indicate that this may have led to some opportunities for catalysing action among a broader set of stakeholders being missed due to lack of seed funding.

20 Ministry of Finance. (2019). *Coalition of Finance Ministers for Climate Action*.



4.1.5 International alignment

Finding 5. Finland provides support to a broad range of international partners, allowing them to increase the scale and ambition of their climate finance efforts.

Finnish climate finance is highly aligned with and supportive of wider international financing efforts on climate change. Reflecting Finland's general commitment towards supporting the Paris Agreement and its financing objectives, Finland supports a broad range of international initiatives. Approximately half of Finland's climate finance goes to directly supporting the multilateral system (climate funds, MDBs) where it is pooled and blended with other donor support. It is therefore challenging to differentiate the profile of Finnish climate finance from that of other donors in the international system.

Finland's contributions allow international climate finance partners to scale their approach. Through the multilateral system, Finland blends its resources with other donors in order to achieve scale and reach (e.g. GCF, GEF, Adaptation Fund (AF), Climate Risk and Early Warning Systems Initiative (CREWS), etc). Despite Finland being a relatively small donor, interviews with intermediaries indicate that its contributions provide a strong signal to other donors of the value of climate action and the importance of international solidarity in providing sufficient concessional funding. Finland also adds value by working in a positive and proactive way with likeminded donors to enhance the efficiency and effectiveness of these funding mechanisms.

Finland's concessional support also enable partners to take greater risk and increase their development impact. Finland's contributions do allow for partners to increase the ambition and development impact of their investments. The MDBs in particular are constrained by concerns over their credit ratings and portfolio risk profile. Funds provided by Finland and other donors allow them to invest in interventions that they would otherwise not be able to due to political or sector risks. For example, the Finland-IFC BFCP (Blended Finance for Climate Program) support for solar energy in poor countries – Democratic Republic of the Congo, Palestine that allowed IFC to put together a better financial package allowing the interventions to go ahead.

4.1.6 Domestic complementarity (Finnish Interests)

Finding 6. Opportunities exist for participation by Finnish stakeholders, but areas of national comparative advantage are not clear, and funding is relatively limited.

Finland has credibility in its domestic climate policy agenda and has several sectoral strengths and areas of know how that might be leveraged to support international climate change efforts. Finland is recognised as credible partner in climate action on the basis of its domestic policy and progress. The country also has a number of sectoral strengths in climate change action. Forestry (which has both mitigation and resilience benefits) has traditionally been seen as a national strength and formed a core focus of some bilateral engagements (e.g. in Tanzania). Stakeholders noted, however, that it had become weaker over recent years (although it has been specifically identified in the most recent government programme as a priority focus area).

The different instruments allow a broad range of Finnish institutions to engage in climate finance.



Meteorology and early warning systems (EWS) are likewise considered an area of expertise and added value. Finland has also traditionally engaged on agriculture and land use in its portfolio of interventions. More recently, new areas of domestic strength have emerged, such as circular economy with Finland hosting significant international conference on the topic, although this has not yet become a core area of programme activity for climate finance.

Finland has a body of institutions that have expertise in and engaged on international climate change issues. There is a vibrant CSO sector in Finland that pursues a range of initiatives and interventions (primarily on adaptation and associated sectors (water, agriculture, land management) as well as on aspects of climate justice (e.g. gender, human rights). Likewise, Finnish institutions (e.g. Met Services) and research and academic bodies have strong technical basis in climate change.

Finland MFA deploys several instruments that specifically provide opportunities for participation by Finnish actors in the international climate finance portfolio. While not being exclusively dedicated to climate action, instruments such as ICI have allowed collaboration between Finnish institutions and their counterparts in developing and transition economies (e.g. on Met Services). CSO instruments have supported Finland's vibrant CSO sector to engage in developing countries (alongside wider support for international NGOs). Private sector instruments such as PIF, DevPlat and Finnpartnership have provided Finnish companies with the opportunity to pursue potential commercial engagements in the climate arena.

Likewise, there are a number of funds and initiatives that are domiciled within Finland. Of these, the most important is Finnfund. Finnfund is Finland's primary DFI. It is an impact investor, primarily owned by the Government of Finland. It aims to invest in businesses that contribute to solving global development challenges by providing risk capital, long term investment loans, mezzanine financing and expertise. At the end of 2022, Finnfund's investments, commitments, and investment decisions totalled about EUR 1.22 billion, all in non-OECD countries and half of them in Africa. A significant share of Finnfund's portfolio is invested in climate relevant sectors (e.g. renewable energy, sustainable forestry, sustainable agriculture). It represents an increasing share of Finland's climate finance as the focus shifts towards non-grant-based instruments. The Nordic Development Fund is also domiciled in Finland and runs climate relevant programs (e.g. EEP).

Despite efforts by the MFA and Business Finland to engage the Finnish private sector in delivering climate finance and solutions this has yet to materialise. This reflects a combination of the characteristics of the Finnish private sector, which is primarily dominated by smaller companies and the preferred funding channels. It should also be recognised that the extensive use of multilateral channels for climate finance creates barriers to participation by Finnish companies as well as the potential for Finnish diplomatic engagement. Contract values and institutional criteria are often such that only large and high-capacity organisations (e.g. financial, international networks) are able to participate. Also, until recently, Finnfund has not had a priority for collaboration with Finnish companies, although this is increasingly being addressed as a potential opportunity.



4.2 Results of Finland's Climate Finance 2016-2022

This chapter addresses EQ2: To what extent has Finland's climate finance portfolio delivered results over the period 2016-22?

The MFA and its partners have managed interventions in an adaptive and flexible way despite global challenges such as COVID-19.

4.2.1 Efficiency of implementation

Finding 7. MFA and its partners have managed the portfolio in an adaptive and flexible way despite global challenges and staffing constraints.

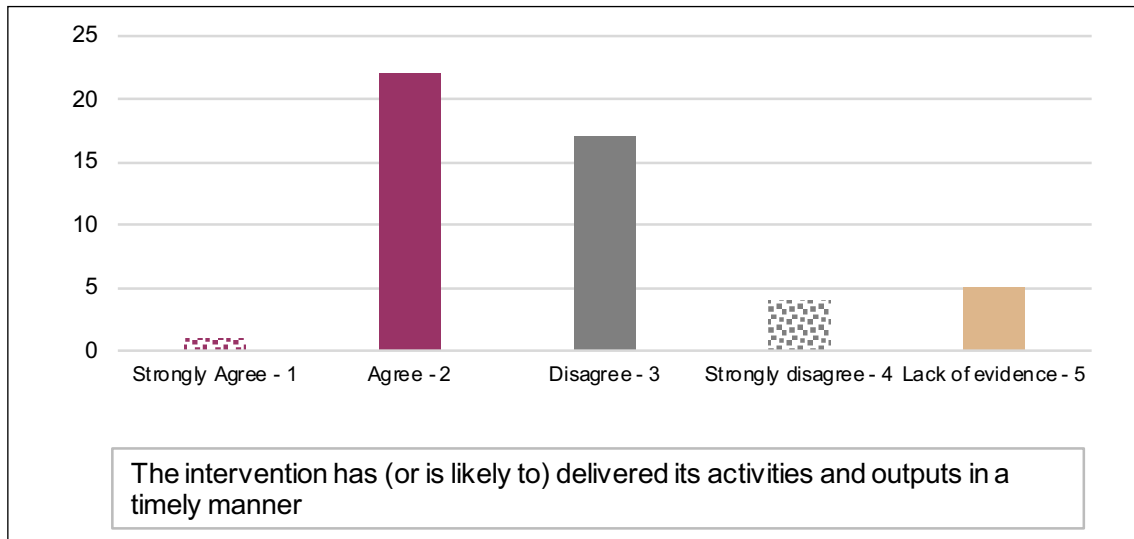
In terms of efficiency, Finland's portfolio has been well managed by MFA and its intermediaries and both have able to respond to implementation challenges effectively. A review of reporting and intervention documentation was undertaken for 49 interventions representing 70% of overall funding. In terms of progress on delivery, only a small number of interventions were identified where there were critical delivery challenges or risks that had the potential to result in intervention failure. It should be noted that detailed financial commitment and disbursement data at the intervention level was not available to the evaluation team, and that there is often a lack of transparency around the allocation of funds to multilaterals (particularly when these are blended with other contributions).

A range of both supporting factors and challenges were identified in the sub-portfolio documentation as being critical to intervention delivery. Positive drivers included having strong political support from influential counterparts committed to climate change action, robust climate policy objectives, adequate capacity of government stakeholders and other counterparts, strong intervention design including beneficiary consultations, and the ability to adapt in a flexible way to unforeseen challenges. From a barrier perspective, some interventions experienced delays in intervention start up following inception phased due to emerging constraints or new information. Others were subject to political and macro-economic instability impacting upon decision making around policies and investments, as well as disbursement challenges.

There is some evidence of some restructuring and delays in intervention delivery, particularly during the COVID-19 pandemic 2020-2022. For interventions under design and implementation between 2020-22, COVID-19 was a significant challenge in terms of delivery. A review of available documentation did indicate that a significant proportion of interventions or investments made (approximately half of those reviewed) had experienced some level of delay and/or restructuring (see Figure 15). This was particularly true for interventions with significant project implementation activities, capital investment (e.g. construction, planting) or those that were dependent on or international consultancy/travel. Likewise, multilateral and climate portfolios also reported implementation delays but appeared to be managing these risks in a structured way.



Figure 15 Assessment of sub-portfolio timeliness of implementation



Source: Evaluation team sub-portfolio analysis

All instruments were equally affected, with those dependent on international consultants or complex supply chains facing greatest challenge. A review of efficiency by instrument type did not reveal any major differences between the instruments, with all equally likely to be subject to implementation delays or challenges. In terms of COVID-19, while implementing partners found strategies to compensate for challenges to travel and logistics (e.g. shift to online communication and consultancy), those dependent on supply chains for materials were hard hit, often resulting in increased project costs.

Until now, there is no evidence of the delays impacting on overall realised and expected outcomes, with good use of flexibility and adaptive management by MFA or its multilateral partners. The use of no-cost extensions within the portfolio reflected an appropriate level of flexibility and adaptive management by MFA for those interventions where it had direct oversight in the face of unforeseen operating challenges. Intervention restructuring was most often through the use of no-cost extension. For the vast majority of these interventions, there were no adverse effects identified in terms of intervention outcomes or impacts. Likewise, multilateral climate funds show evidence of successfully managing COVID-19 related delays.

Multilateral interventions and DFI transaction-oriented finance, with larger transformative impacts, were identified as having particularly long timescales for intervention origination and development: A significant share of Finland's climate finance is channelled through large multilateral funds, MDBs and DFIs. MFA funds often sit on account while the disbursing institution identifies interventions or develops transactions to which the finance can be allocated. This reflects a lack of bankable, transformative interventions in developing countries (particularly LDCs/LICs), which are in turn complicated and resource intensive to develop. Depending on context, availability of pipeline or procedures, this can require significant timescales (1-3 years), which can create the perception of institutional inefficiency, which may not be founded. In many instances where the investment requires policy framework changes – e.g. to the energy market, this can cause delays in the investment but then comes with the opportunity of scaling as more private investors may follow the lead.



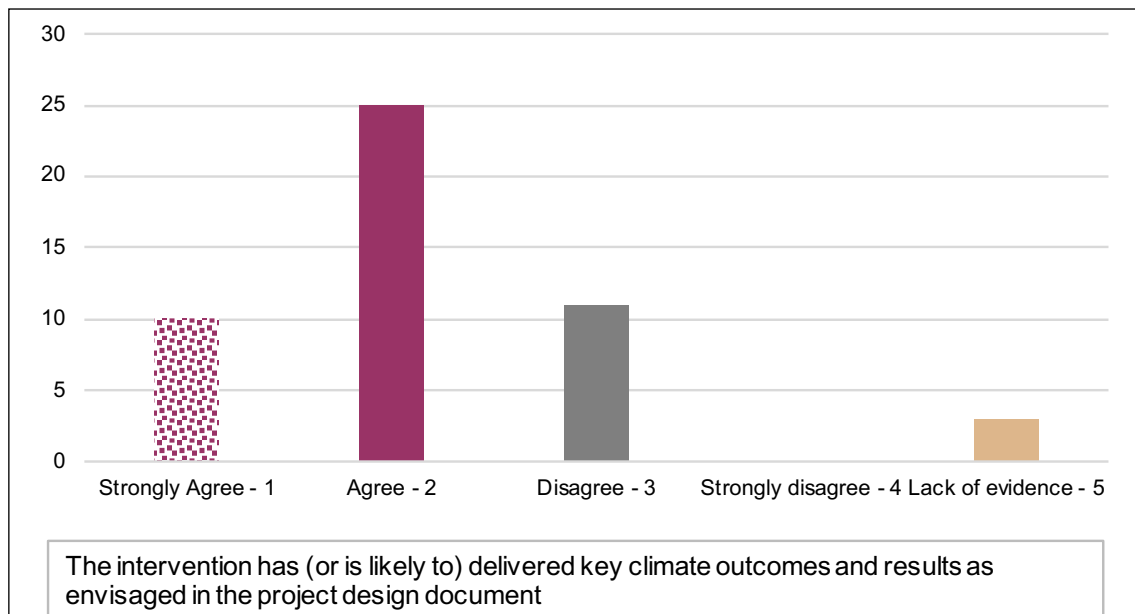
Staff capacity within MFA has been constrained over the period under evaluation, creating challenges in intervention oversight, with resources used most efficiently on larger multilateral interventions. While the internal resources allocated to managing the portfolio have grown over the period under review, MFA staff consistently report capacity and the level of human resources over the period as being limited relative to the size of the portfolio and international obligations. Staff report not having the time to adequately design, oversee and report on their intervention portfolios. Regular staff rotation within the MFA structure creates challenges for developing a body of expertise on climate change. In general, and given the capacity constraints, the use of larger multilateral contributions allows for greater efficiency of oversight and governance by limited MFA staff.

4.2.2 Outcomes of Finnish Climate Finance support

Finding 8. Interventions are delivering climate outcomes at scale across both mitigation (GHG emission reductions) and adaptation (resilience, livelihoods).

The vast majority of programmes funded by Finland within the sub-portfolio (evaluation sample) were able to demonstrate a broad range of climate outcomes (both expected and reported). As set out in Annex 5, the vast majority of interventions reviewed in the sub-portfolio had articulated specific outcomes on climate change (both mitigation and adaptation) and were assessed as being likely to deliver on these (Figure 16).²¹ While most interventions either support mitigation or adaptation, some (e.g. forestry) may provide both benefits in terms of carbon sequestration and improved livelihoods. Further details on specific mitigation and adaptation outcomes are set out below.

Figure 16 Portfolio review of effectiveness (evidence of climate outcomes)



Source: Evaluation team sub-portfolio analysis

²¹ The methodology for scoring projects and their outcomes can be reviewed in Annex 4.



The different scale of results across interventions reflects the huge variation in the size and type of funding instruments within the portfolio. Finland supports multilateral funding initiatives that are large (e.g. Green Climate Fund has global commitments of over USD \$20 billion) and also those that are small (i.e. ICI, PSI) – where the average intervention size is > USD \$1 million. These interventions deliver results at a different scale, with the main multilateral channels being responsible for the bulk of evidence and data available within the portfolio. Results are generally better reported for interventions that are Rio Marker ‘principal’ or where there are specific climate targets (e.g. development policy investments), rather than those that are primarily mainstreamed. Annex 9 provides an overview of the reported outcomes and impacts for interventions within the sub-portfolio analysis.

Reporting by multilateral channels presents challenges of attribution. It is difficult in multilateral interventions to establish the contribution and value added of Finland and to differentiate to what extent Finland’s support is directly linked to mitigation or adaptation outcomes. In addition, when considering the results of the multilateral organisations, it was not possible to separate which results had been achieved specifically through Finland’s funding. Multilaterals do not produce results data on the basis of funders share, and the constant phasing of different contributions make this challenging from a temporal perspective. Where Finland contributed to single-donor trust funds, issues related to attribution can be reduced.

Greenhouse gas mitigation

The most common sectoral approach within Finland’s portfolio was to support renewable energy investment, supported by wider efforts in energy efficiency and forestry/land use. The most common type of programme funded by Finland was to support efforts to decarbonise energy systems. This includes the development of grid-connected renewables (e.g. photovoltaic cells (PV), wind, hydro) as well as supporting off grid development (building scale PV). In a number of interventions, there are strong development benefits associated with improved energy access for poor and underserved communities. Energy efficiency (industrial, buildings, transport) also represents a core sector. Forestry and land use provided the other main focus for mitigation investments. Investments in multilateral instruments and trust funds such as the Green Climate Fund and the MDBs provide funding channels across a broad base of sectors. Interventions generally report the drivers of sectoral mitigation alongside the resulting GHG emissions reductions or avoidance.

Some mitigation relevant interventions reviewed had identified GHG results, with weaker reporting in forestry and smaller instruments (e.g. private sector). Several interventions identified as mitigation relevant had made some attempt to estimate the scale or potential benefits. Targets and indicators were stronger for clean energy interventions, but weaker for those in the forestry and land use sector. More often, projects would report the scale of the intervention itself (i.e. ha of forests under sustainable management or MW of clean energy implemented). Beneficiary data is sometimes reported where there are expected to be improvements in clean energy access.

GHG emission reduction results accumulate over time, so there are significant reporting lags and there is limited ex-post monitoring of outcomes. GHG emission reduction outcomes accrue over time as benefits are calculated on the basis of the lifetime of the technology or approach being implemented and the extent to which it offsets a business-as-usual approach). As such, reported results are significantly lower than expected lifetime results and accumulate over a period of 10–20 years depending on the approach. There is a strong assumption that once the intervention



is implemented, that these results have been achieved, and little or no monitoring (assuming that the technology or forestry approach remains in place and operational over its lifetime).

Variation in the methodologies used for estimating GHG impacts in practice make it impossible to aggregate data across the MFA portfolio. An internal review undertaken by MFA has identified at least 9 different approaches to GHG mitigation calculation used across the portfolio by different intermediaries and implementation partners. Differences between expected and actual, lifetime and annual reporting as well as variation in expectation around technology and intervention lifetimes mean that in practice, it is impossible to aggregate GHG data at the portfolio level. Even if Finland were to create its own approach to GHG calculations, in practice, its widespread use of multilateral channels means that it would be dependent on coherence in the international architecture to create consistent data.

Box 4 Mitigation results in the climate finance portfolio

Example: Reducing GHG emissions reductions in the DPI portfolio

Development Policy investments have a strong basis towards mitigation, often through investments in renewable energy, forestry plantations and other green infrastructure. The following provides a series of examples of interventions delivering GHG mitigation benefits, including their CO₂ abatement and the underlying drivers.

- *Finland-IFC Blended Finance for Climate Program* expects to deliver emissions benefits of 579.000 tCO₂e p.a. (based on the current portfolio of 8 interventions). This is through a number of large-scale renewable power investments including 216MW hydropower project (Nepal); 79 MWp (Megawatt peak) solar PV (Senegal); 55MW renewable plant (Armenia); and 25MW of rooftop Solar PV (West Bank).
- *ADB Ventures* estimates 43.4 million tCO₂e avoided from interventions over the full life of its investments, with 477.000 tCO₂ reported avoided (based on the current portfolio of 9 interventions).
- *EBRD HIPCA (High Impact Partnership On Climate Action)* has a target emissions reduction of 857.169 tCO₂ p.a. once interventions are fully implemented (total for multi-donor fund)
- *Finland-IDB Invest Blended Finance Climate Fund* has a target of reduction or avoidance of 5 million tons of greenhouse gas emissions (tCO₂e) to be achieved over the life of the Fund.
- *Finnfund* reported Actual net GHG emissions reductions of 134.131 tCO₂ in 2022 from a range of forestry and energy interventions.

Source: *Private Sector Case Study*



Climate adaptation

Finnish interventions deploy a range of different instruments and approaches to deliver improved climate resilience. Finnish climate finance interventions use a range of approaches (often more than one per intervention) to deliver outcomes.

- a. Approximately 60% of interventions reviewed used technological approaches (developed early warning systems, efficient irrigation, water saving technologies including rainwater harvesting and climate-smart crop varieties).
- b. These were often combined with informational approaches (provided improved weather information and warning messages, developed community based early warning systems and disaster response plans, and mapped climate risks/hazards and vulnerabilities).
- c. A further 40% of interventions were eco-system based i.e., they supported implementation of adaptive/climate resilient land management or soil conservation strategies, restored catchment areas, forests or other natural habitats, supported community-based natural resource management and created ecological corridors. Approaches and outcomes here are often targeting behavioural change through improved awareness and education (livelihood diversification and changing agricultural practises and educational category included results such as awareness raising on adaptation options, sharing local knowledge, participatory action research and social learning, community surveys, and research networks).
- d. A smaller number of interventions reported results aligned with improved laws and regulations category (e.g. related to meteorology and illegal timber trade) or to government policies and programmes category (e.g. Water, Sanitation and Hygiene (WASH) policies, National Adaptation Plans, Integration of climate and disaster risks to national development planning).

In terms of thematic focus, there is a broad range of adaptation outcomes identified across the sub-portfolio. A review of the portfolio provides evidence for a broad range of adaptation outcomes. Of 49 interventions reviewed, 27 interventions were directly linked to adaptation activities and outcomes. Of these, 17 interventions reported on results relating to the outcome area food and nutrition security (improved food security among smallholder farmers, poor farmers trained on climate-smart agricultural practices). Eleven interventions reported results concerning meteorology and disaster risk reduction (e.g. new equipment and software and strengthened capabilities for weather forecasting, improved weather information and early warning systems, community-based early warning systems and disaster response plans). A further 10 interventions reported results attributed to outcome area forests and biodiversity (e.g. forest protection) and 5 to outcome area water (e.g. safe and climate resilient water supply services).

The definitions and guidance provided by the MFA on adaptation outcomes is broad. Within the development policy priority area – climate and natural resources – there is no specific aggregate indicator for adaptation. There are some outcomes relevant to meteorology and disaster risk reduction, food and nutrition security (with linkages to the SDG targets) and water, with implicit adaptation benefits in forest conservation and sustainable forest management.

The use of indicators for adaptation is variable, in part because adaptation is a process as well as an outcome. When reviewing adaptation-focussed interventions in the sub-portfolio, only about half of the interventions had a clear set of adaptation outcomes, criteria, and indicators. This is more of an issue for adaptation than mitigation as resilience-type interventions that are more likely to be Rio-Marker 1 (significant) and have their primary focus in environmental and social systems exposed to climate risk (e.g. agriculture, water). Adaptation is a process as well as a set



outcomes signalling enhanced resilience to climate stress. As such, there is a high degree of contextual variability in terms of the processes and systems that are exposed to climate risk, and the approaches used to improve resilience. Reflecting IPCC guidelines, Finland identifies adaptation as occurring in both Human Systems (communities and people) as well as Natural Systems (Eco-systems). However, MFA guidance on frameworks and measurement approaches is less well developed.

Box 5 Adaptation results in the climate finance portfolio

Example: Early warning and disaster risk reduction

The Finnish Ministry for Foreign Affairs (MFA) prioritises meteorology and disaster risk management within its climate and natural resources strategy. It's established a strong foundation in supporting meteorological interventions worldwide, especially through its primary funding tool, the ICI.

As an active member of Regional Entrepreneurship Acceleration Programme (REAP), the Finnish MFA has increased its financial backing and enhanced support for EWS. Within REAP, Finland offers targeted funding to EWS, utilizing its relationships with REAP affiliates and major entities like the Finnish Meteorological Institute (FMI) and the Finnish Red Cross (FRC).

In Ethiopia, the Finnish MFA allocated a EUR 7.4 million grant for an EWS project aimed at bolstering the National Meteorological Agency's infrastructure and predictive skills. This initiative, executed by global leader Vaisala, incorporates training elements led by the FMI.

In Nepal, another project sees the Finnish MFA partnering with the Finnish Red Cross to enhance EWS, ensuring community involvement and focusing on reaching the remote 'last mile' communities.

From a funding perspective, Finland has pledged EUR five million to CREWS from 2021, aligning with REAP's third objective. Additionally, Finland consistently backs the GCF and holds seats on both the GCF and CREWS boards, reinforcing its commitment to global climate finance initiatives.

Source: Evaluation team, Risk-informed Early Action Partnership (REAP)

4.2.3 Cross-cutting objectives

Finding 9. Finland's climate finance portfolio has a strong level of alignment with other development objectives such as gender and human rights.

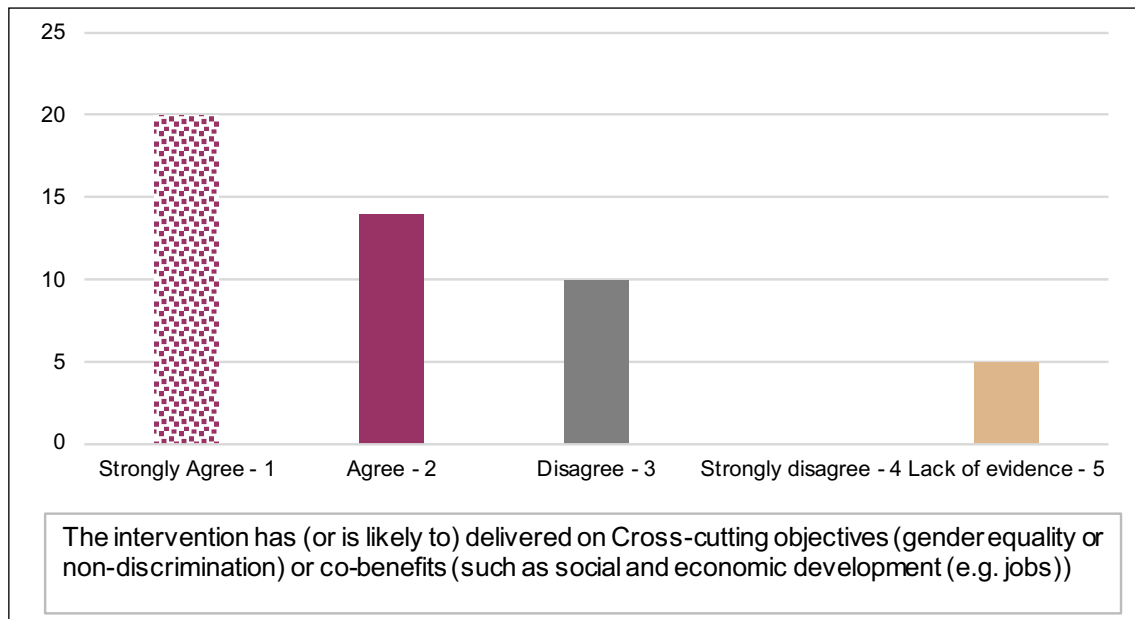
The Finnish climate finance portfolio has been relatively successful in incorporating other development objectives, in part due to the cross-cutting nature of instruments used. As part of the sub-portfolio review, the evaluation examined to what extent other development objectives (primarily gender, human rights, disability, but also

There is strong alignment in the portfolio between climate finance and other development priorities (e.g. gender, human rights).



wider social and economic development) had been integrated into Finland supported programmes and projects. Within the overall sub-portfolio, approximately 70% of interventions reviewed demonstrated broader consideration and results relating to other development objectives and cross-cutting themes (see Figure 17). This is considered primarily a reflection of the cross-cutting nature of different instruments (with many climate finance interventions having other primary themes), as well as the robust commitment of Finland MFA to the gender and HRBA agenda.

Figure 17 Effectiveness of mainstreaming development objectives



Source: Evaluation team sub-portfolio analysis

Gender is well integrated into Finland’s climate finance programming, with more than half of adaptation interventions reviewed demonstrating good integration on the topic. On the basis of a review of 28 interventions associated with climate adaptation (see Adaptation case study), 12 interventions (43%) were assessed to have integrated gender issues at least relatively well in their work, provided relatively good gender results or had clear indicators and monitoring system in place for gender equality (although not able to provide results yet). Eight interventions (29%) had integrated gender equality to some extent into the intervention activities or had a gender strategy/policy, and showed some positive results related to gender equality. Seven interventions (25%) did not have a strategic approach on gender equality and provided limited information on gender results (e.g. reporting how many men and women were trained). Only in one intervention the gender issues were not discussed.

Non-discrimination is less well captured than gender within the portfolio but still features significantly in intervention design and reporting. Of the 28 adaptation-oriented interventions reviewed, 6 were able to report results around non-discrimination and vulnerable groups (e.g. minorities, indigenous peoples, disabilities). A further 6 interventions had strategies and/or plans to address the needs of vulnerable groups such as indigenous peoples and persons with disabilities. A further 6 other interventions provided some anecdotal results/examples related to vulnerable groups. Ten interventions did not provide any evidence or only related to gender.



In terms of instruments and funding channels, CSO and bilateral programming were particularly responsive to cross-cutting approaches, as were larger multilateral partners. CSO development cooperation programmes and some of the bilateral interventions (especially in the water sector) were able to show clearly how they had supported cross-cutting objectives including clear articulation of human rights-based approaches and their operationalisation in the intervention context. Multilateral organisations were also strong on their ambition and reporting on gender equality (e.g. International Fund For Agricultural Development (IFAD), African Development Fund, GEF/Least Developed Countries Fund (LDCF), IDA and FAO/FFF (Forest and Farm Facility)), and in some cases also to indigenous peoples (e.g. IFAD, FAO/FFF). The DPI investments into Finnfund as well as IFC, ADB and EBRD trust funds all came with gender targets, but yet too early to report results for the full investments.

Finland's private sector programmes are also strengthening their approach. Finnfund has developed its human rights due diligence processes according to UN Guiding Principles on Human Rights during last years which including preliminary reviews, screening, monitoring and grievance mechanisms. Finnpartnership has also strengthened its processes related to environmental and social responsibility including human rights. An updated version of PIF guidelines was published in 2021, including guidance and questions related to human rights and cross-cutting objectives (both in the concept note and the project document phases).

Examples were identified of organisations strengthening their efforts on gender and cross-cutting objectives. For example, FMI has cooperation with Finnish Red Cross and other national red crosses to support the early warning work and disaster risk management work at community (including also vulnerable groups). It also has strengthened its gender work internally (e.g. gender analysis carried out for Ukraine project was brought up as a good example by interviewees outside of FMI as well as the recruitment of a person to the team having expertise on human rights and CCOs). In addition, Abilis Foundation/Abilis Consulting Ltd has cooperated with some on the CSO (e.g. World Wildlife Fund (WWF) Finland, Finnish Red Cross) to further strengthen their work in addressing disability issues. This strengthening trend was also clear in multilateral efforts (see Box 6).

Box 6 Cross-cutting objectives in the climate finance portfolio

Example: Evidence of strengthening gender and human rights in multilateral programming.

A review of evaluations relevant to larger multilateral partners found varying levels of integration of gender and HRBA in programming, with evidence of some strengthening over time. For example, a 2021 evaluation of GEF/LDCF found that while the majority of interventions did include gender/sex-disaggregated data or gender-specific indicators in their results framework at design, even more interventions went on to report gender specific results. Likewise, a thematic evaluation of IFAD (Independent Office of Evaluation (IOE) 2023a) found that the recent interventions are increasingly addressing the root causes of gender equality compared to earlier ones which focussed on targets and quotas. According to the synthesis evaluation concerning IFAD (IOE 2023b) found gaps e.g. in definitions of target groups (e.g. lack of a distinction between target groups and the principle of inclusion, lack of a common definition of the term vulnerable) and lack of clarity in target group-specific pathways of change. In case of GCF, the second performance review (2023) concluded that in overall as small proportion of GCF funded activities target vulnerable populations.

Source: IFAD (2023a, 2023b), GCF (2023)



Intervention scale and focus can also limit the ability to mainstream other development objectives. For example, some stakeholders stressed the challenges of trying to bring multiple development objectives into what might be relatively small and targeted interventions. This was considered particularly true for inclusion of disabilities. Certain intervention instruments also present challenges due to their scale and focus. For example, ICI-interventions have typically been relatively small (potentially only limited mission of a few days from Finland to the partner country). These interventions may have a relatively narrow technical focus (e.g. related to capacity building) and engage with only a certain set of stakeholders within the partner organisation. It was noted that MFA has been relatively flexible towards setting realistic parameters on what might be expected of smaller interventions.

The quality and guidance around the application of HRBA and CCOs has evolved over time and has been more limited at the instrument or sector level. Guidance on HRBA and cross-cutting objectives has evolved over the period under evaluation. The latest version on CCOs was published in mid-2023. Respondents indicated that support is often requested on HRBA mainstreaming from available consultant facilitation support. The use of funding instruments means that its application depends on the quality of guidance and resources provided for that specific instrument which can vary. For example, the guidance for different instruments evolved over time in different ways.

Early signals of transformational change are apparent, but these will take time to fully emerge.

A delay in the updating of the ICI manual to 2021 led to weakness around HRBA guidance identified in an earlier evaluation only being rectified after several years. PIF guidelines were only published in 2021. Stakeholders more generally identified challenges in accessing and interpreting MFA HRBA and CCO guidance for climate finance interventions.

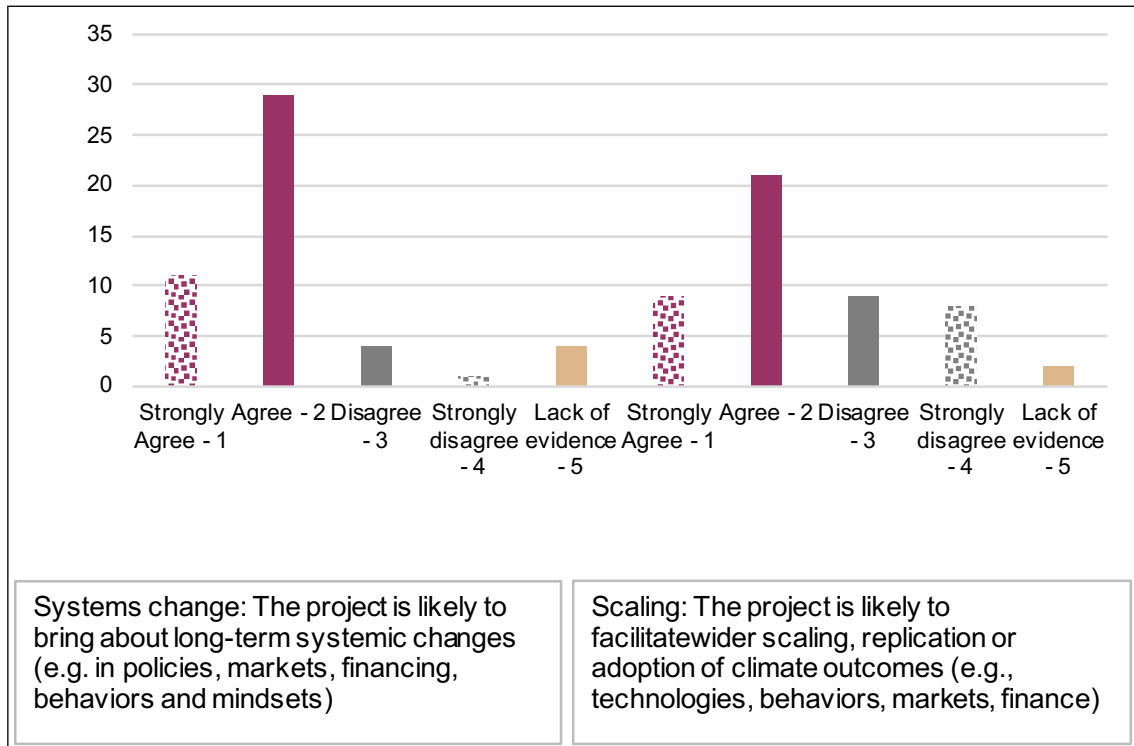
4.2.4 Impact and Transformational Change

Finding 10. Interventions demonstrate ambition towards transformational change, with some early signals, but impacts will take time to fully emerge.

There is evidence that a significant proportion of Finnish climate finance interventions are aiming to deliver transformative impacts beyond the timescales and funding boundaries of the interventions themselves. Transformational change can be considered the capacity of financing to result in larger systemic changes or scaling effects that fundamentally change the basis for climate action within a given country context or sector. Intervention outcomes provide a catalyst for wider impacts beyond intervention boundaries over time (geographic, social, technological, economic). A review of interventions within the sub-portfolio indicates a majority of interventions likely to support systems change and scaling. At fund level (e.g. GCF, Finnfund), there are theories of change which seek broader catalytic effects through the funding mechanism as well as at the intervention level.



Figure 18 Scaling and replication



Source: Evaluation team sub-portfolio analysis

A key area of impact lies in the ability of the portfolio to deliver long-term system changes that underpin transformation. One cluster of early signals centres Finnish interventions demonstrating the social, economic, and financial viability of new business, technology or community models with the potential for further replication. Such examples can have a strong demonstration effect among policymakers, investors and the private sector, which can influence decision-making and fundamentally change behaviours. Another set of signals can be found around the emergence of new institutional capacities, policies and regulations which can influence and underpin change, whilst also providing a basis for more sustainable approaches over time. Some of the more commercial private sector instruments (e.g. Finnfund) do not specifically target policy level interventions but are rather much more transaction focused. This is typically true of development policy investments, although EBRD reported changes to regulatory frameworks and policies in connection with the HIPCA supported investments.



Box 7 Transformational systemic change in adaptation

Example: Systemic changes for improved resilience over time in the Pacific Islands

During the Finnish Pacific Project (2013-2017), nine early warning systems and disaster response plans were established in collaboration with meteorological offices and local communities. This partnership yielded plans specifically tailored to the unique needs of Pacific communities and facilitated clear communication methods. These plans were enhanced at the community level with practical, low-cost equipment such as sirens, evacuation maps, and roof straps. The effectiveness of this system was evident in 2016 when, after an earthquake near the Solomon Islands, a tsunami warning was promptly relayed to the Lord Howe community. Acting swiftly, they were the first to evacuate to safer grounds. Evaluations later confirmed that these communities continue to maintain and utilise these systems, underscoring the project's enduring success in bolstering resilience against extreme weather events and disasters.

Source: Evaluation team, project documentation

Other interventions show early signals of scaling effects through replication of climate action across geographies, social groups. There are examples of interventions scaling up (i.e. moving from local demonstration to wider adoption), including the use of technologies, behaviours and practice. Other efforts on market conditions have seen new entrants (commercial financial) enter markets in sectors such as forestry and renewable energy.

Transformational impacts are more likely to be found in larger interventions with the potential for high level engagement. Elements of transformational change are more likely to be identified within larger and more systemic types of financing. This is particularly true of multilateral funding. Reporting by and evaluation of climate funds supported by Finland (e.g. GCF, AF, GEF) are all able to make the case for transformational intent due to their ability to engage at scale with national governments on sectoral challenges. Large scale Finnish interventions at country level through bilateral programming (e.g. Tanzania sustainable forestry) also allow for this scale of impact. Sometimes, interventions are implemented in relatively contained contexts which creates a platform to deliver whole of system approaches (e.g. small economies, SIDS). The smaller scale profile of many of Finland's funding instruments may, however, make it challenging to mainstream a transformative approach across the portfolio.



Box 8 Transformational change in the multilateral portfolio

Example: Transformational change in the GCF and IFAD

The recent Second Performance Review of the Green Climate Fund (GCF 2023) noted that the vast majority of interventions reviewed had the ambition and potential to result in paradigm shift. Significant pathways included using GCF to scale interventions that had previously been supported or demonstrated under smaller climate interventions, or addressing systemic barriers (policy, economic) that prevented wider market development. The review found that nearly all programmes supported were able to demonstrate transformative intent, with many reporting early signals of transformation (policy changes, successful intervention demonstration, new financing capabilities) that were likely to result in longer term impacts. In some cases, there were already significant scaling effects, with market replication of technologies, funding models.

Likewise, IFAD's report on development effectiveness 2022 presents how the Fund has performed against the indicators and targets set in their Results Management Framework for the period of the Eleventh Replenishment of IFAD's Resources (IFAD11). It highlights the IFAD's transformational impact during the IFAD11 period (2019-2021). It is reported that IFAD has made a significant contribution to SDGs, mainly SDG 1 (No poverty) and SDG 2 (Zero hunger). The SDG 1 includes the target of building resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters. It is reported that the IFAD had improved the resilience of over 38 million poor people.

Source: GCF Second Performance Review (2023), IFAD (2022)

Transformational impacts are however poorly articulated in intervention documentation, in part due to a lack of guidance and the fragmentation of instruments. The absence of a consistent approach to transformational change and paradigm shift within the portfolio means that there is an inconsistency in the language and framing around higher-level ambition on climate action. The fragmentation of funding through a range of instruments, the high level of mainstreaming of climate as a thematic area and the lack of guidance means that intervention developers are not expected to explicitly articulate their theories of change and higher-level impacts beyond intervention boundaries. However, interventions do capture elements of transformation in their intervention documentation in spite of the lack of MFA guidance. For example, some (particularly larger multilateral investments such as IFC and EBRD) provide explicit in-depth analysis of context and long-term impacts and change pathways (e.g. market catalysation).

Long timescales associated with transformation, and a weakness is ex-post monitoring make it difficult to capture evidence on actual impacts. Only those financing channels where there is sustained sectoral or geographic focus over time (e.g. multiple funding rounds) or strong ex-post evaluation allow for a clear articulation of transformational impact. Multilateral funds can deliver this level of ongoing oversight, often with new interventions and country engagements building upon previous efforts for which outcomes and impacts are well documented. This was traditionally the case in bilateral programming where embassies had the potential to operate over multiple funding periods. Generally, even those investments that have well established theories of change in intervention documentation fail to report systematically on long-term impacts.

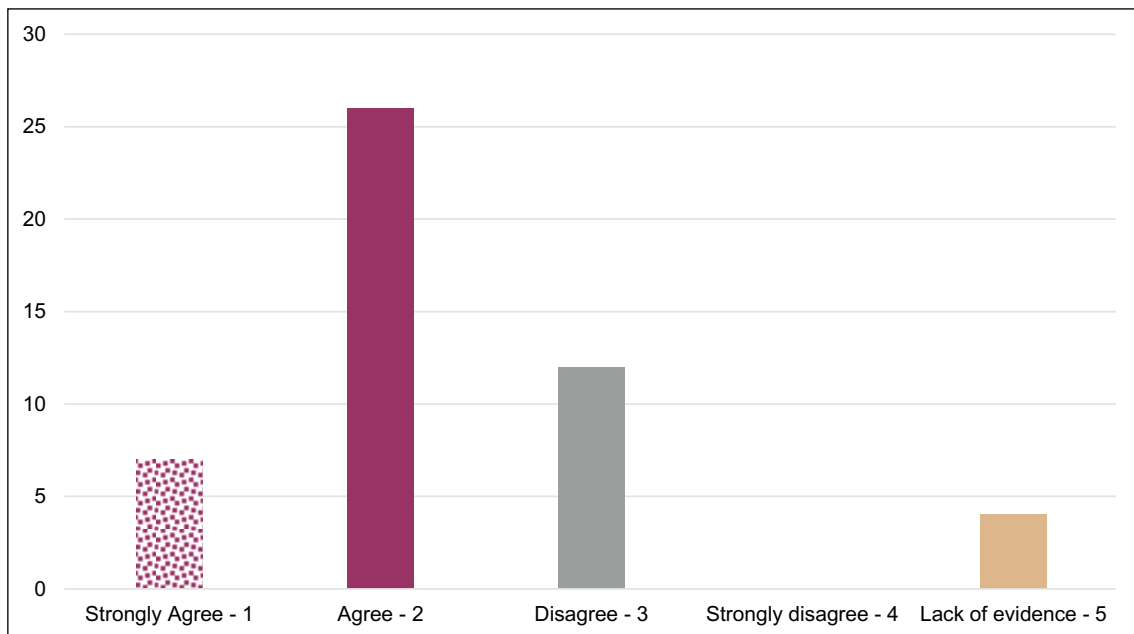


4.2.5 Sustainability

Finding 11. Efforts have been made to create sustainable outcomes by building local capacity, securing long term finance and supporting commercial markets.

There is some evidence of long-term outcomes and sustainability being designed into interventions. The majority of interventions demonstrated some level of planning for longer term outcomes (both climate and wider development). This was clearest in those interventions addressing capacity and policy/regulatory challenges, as well as those interventions seeking to improve the commerciality of intervention development or the strength of long-term financing mechanisms. Development policy investments have to comply with IFI environmental and social safeguards and review processes in a way that MFA interventions do not.

Figure 19 Assessment of sub-portfolio for sustainability of outcomes



Source: Evaluation team assessment

However, given the extended timescales of intervention development and implementation and the lack of post intervention monitoring, it is difficult to draw conclusions as to the robustness of longer-term outcomes. Beyond evidence of planning for sustainable intervention outcomes, there is very little visibility on the actual long run outcomes of interventions over time. Many of the interventions remain in early implementation. It is therefore challenging to draw conclusions as to the actual sustainability of the portfolio.

More broadly, interventions are generally well aligned with longer-term national objectives or aspirations, particularly around social, but also on economic and environmental development. Interventions within the sub-portfolio were generally well aligned with wider concepts of sustainable development. This was particularly true in terms of social outcomes (gender, human rights, disabilities), but also on environmental and economic issues. This implies that intervention outcomes and impacts are more likely to be resilient over time as they align with wider societal and political aspirations.



4.2.6 Leveraging private sector engagement and capital mobilisation

Finding 12. MFA approaches to private capital mobilisation are evolving from transaction-based to more market and development impact focus.

Support for mobilisation of private sector finance and capital mobilisation is critical to meet the goals of the Paris Agreement and such support forms a core part of Finland's international climate assistance. The private sector is expected to provide the bulk of investment needed to meet the goals of the Paris Agreement. As such, public development finance can play the role of incentivising private investment (i.e. through blending finance instruments that can reduce the risk for private actors, support improving market conditions through policy reforms and institutional capacity building). It can also support engagement by private actors (including Finnish) in developing climate-oriented solutions and products (both innovation or supply chains), or by addressing policy and market barriers to the scale up of companies and financing organisations offering climate goods and services (through technical assistance). Finland recognises the importance of private sector mobilisation both in terms of mobilisation of capital and the market provision of solutions for mitigation and adaptation.

MFA approaches to private capital mobilisation are evolving from transaction-based to more market and development impact focus.

It can also support engagement by private actors (including Finnish) in developing climate-oriented solutions and products (both innovation or supply chains), or by addressing policy and market barriers to the scale up of companies and financing organisations offering climate goods and services (through technical assistance). Finland recognises the importance of private sector mobilisation both in terms of mobilisation of capital and the market provision of solutions for mitigation and adaptation.

Finland has a variety of instruments to promote private sector development and capital mobilisation. They include the Development Policy Investment Instrument (DPI), Finnfund, the Public Sector Investment Facility (PIF), the Finnpartnership, and DevPlat and specifically for Africa the EEP. DPI and to some extent Finnfund broadly target mobilisation of private capital and investing in the private sector in developing countries, while the remaining instruments are first and foremost intended to enhance opportunities of the Finnish companies to participate in development cooperation. While DPI and Finnfund have recently received climate targets from the MFA, the remaining instruments do not have climate targets, but climate is mentioned in their remits.

The Finnish approach to engaging the private sector was highly relevant and responded to global calls for support for private capital mobilisation for climate action – working with the MDBs offered an opportunity to also impact the wider enabling environment for private sector engagement. There is widespread agreement in the international community and amongst providers of blended finance (bilateral donors and DFIs) and investors alike, that blended finance instruments are key for mobilisation as is developing an enabling environment for such investments and development of concrete bankable interventions.²² The Nordic -Baltic Constituency in the World Bank Group (WBG) advocated strongly for the 'creating markets' approach to mobilising private capital including through improved internal cooperation in the WBG between the International Bank for Reconstruction and Development (IBRD)/IDA and IFC/Multilateral Investment Guarantee Agency (MIGA).²³ Providing investments loans on concessional terms for co-financing of MDB investments in climate related activities was relevant and supported MDB efforts to fund

22 See: International Finance Cooperation (IFC) and International Energy Agency (IEA) Scaling up Private Finance for Clean Energy In Emerging and Developing Economies; OECD. (2023). Private Finance Mobilised by Official Development Finance Interventions.

23 Nordic Baltic Constituency Annual Report FY 2021-2022.



climate interventions in 3 different ways: 1) de-risking of investments, 2) development of bankable interventions, and 3) contributions to enabling environment strengthening as the MDBs used their leverage with governments to pursue policy and regulatory reforms. For example, EBRD reported changes to regulatory frameworks and policies in connection with the HIPCA supported investments.²⁴ Finnfund did not target private sector capital mobilisation at the intervention level as this would suggest that interventions were already near commercial and public funds were not required. Rather, Finnfund wanted to engage private funding in its own capital structure on which basis to pursue additional climate relevant interventions. By 2030, Finnfund expects 50% of its investments to be funded with private capital.

Finnish concessional investment finance was relevant as it supported expansion of MDB and Finnfund climate operations primarily through support for interventions with climate mitigation impact including into low-income countries. The modality implied that the Finnish contributions were best suited as co-financing at intervention level to support returns on capital and address perceived risks. Co-financing of IFC renewable energy intervention investments allowed IFC to enter into riskier markets such as Nepal, Palestine, Democratic Republic of Congo, as well as Senegal. With regards to EBRD HIPCA, although Finnish investment support has yet to be deployed, the HIPCA multi-donor trust fund has supported development of climate relevant interventions through availability of grant financing for intervention and policy work as well as investment finance in EBRD countries of operation in the Eastern and Mediterranean regions. Finland's decision to complement investment funding with grants has supported MDB intervention preparation, helping to bridge the gap in the climate finance system with regards to lack of bankable interventions. Finnfund was able to increase its level of climate engagements based on the resources made available through the DPI.

Engaging with MDBs to promote private sector capital mobilisation only to some extent proved effective and there was no reporting on market catalysing effects. While there were good examples of mobilisation of private capital in the context of financing of concrete interventions, e.g. with IFC and ADB Ventures, on the whole the mobilisation of private capital remained limited underscoring the difficulties faced by intermediaries.²⁵ IFC for example, reports private capital mobilisation of 2:1 for donor contributions (alongside an additional 5:1 mobilisation of IFC and other DFI capital). Transparency in the reporting by the MDBs on private capital mobilisation was not reported separately, despite it being highlighted as an objective. Despite MDB institutional objectives to use blended finance instruments for private finance mobilisation and market development, it was not possible to assess catalytic market impacts based on available reporting. This partly reflects the transaction-oriented approach of many MDB funds as well as the early-stage implementation of interventions funded. Finnfund regards itself as an impact investor with no policy leverage and market creation ambition and does not target private capital mobilisation in its interventions beyond the sponsor.

The initial emphasis on input targets to ensure coherence with Finnish policy objectives was gradually complemented with an increasing focus on climate and development impact. MFA's preferred mode of influencing interventions was through input targets related to Finnish policy priorities. The input target related to gender equality and inclusion was successful in ensuring attention to gender in all interventions, also in part reflecting the increased prioritisation of gender

²⁴ EBRD High Impact and Climate Action 2022 Annual Report.

²⁵ The Private Sector case study goes into greater detail as to the challenges related to private sector capitalisation underscoring that this goes much deeper than the availability of bankable projects, and focussing at the project level will not bring the mobilisation about.



equality in the MDBs and Finnfund. In particular, ADB Ventures reported extensively on gender results. With regards to climate, there were input targets as to the percentage set aside for climate (IFC BFCP 100% (of which 10% for adaptation) and ADB Ventures 80 %). In more recent discussions with MDBs (including in the context of annual meetings), requests for climate impact targets were raised. Also, in Finland's participation in the governance structures of the multi-donor funds, there was increased attention to development impact including climate. Influencing results as a result of trust fund support were broadly in line with those achieved through shareholder participation. For example, with regards to gender equality, Finnfund in addition to a 50% climate target also had a new target targeting a 50/50 split for mitigation/adaptation. Based on its collaboration in the context of the European Development Finance Institutions and drawing on the work of the MDBs on climate mainstreaming, Finnfund elaborated its climate approach and is now a light house in the Finnish context when it comes to climate mainstreaming.²⁶ Finnfund's climate mainstreaming approach is elaborated in Box 9.

Box 9 Climate mainstreaming in development policy Investments

Example: Finnfund's approach to aligning its interventions to the Paris Agreement

Climate is one of three of Finnfund's global impact themes and the fund has recently committed to aligning all activities with the Paris Agreement. Inspired by its cooperation with other DFIs including in the context of European Development Finance Institutions (EDFI), Finnfund has elaborated the following tools to ensure Paris Alignment of its activities.

Paris Alignment includes consideration of the following:

1. Exclusion list – incl. of investments related to fossil fuels,
2. Up-stream climate risks analyses incl. at country level,
3. Screening of climate risk and opportunity, incl. use of alternatives with better climate impact,
4. Consideration of lock in effects – transition risk,
5. Climate accounting including where relevant of scope 2 and 3,
6. Total portfolio emissions and carbon sequestration calculated and reported,
7. Increase the funding for climate – make EUR 1 billion more in investments by 2030.

Source: Finnfund 2022

²⁶ For more information on the WBG approach to mainstreaming see: World Bank. (2023). The World Bank Group and Paris Alignment and for the EBRD approach see: European Bank for Reconstruction and Development (EBRD). EBRD activities and Paris alignment.



Box 10 Insights from the private sector portfolio

Lessons learned from private sector mobilisation

- Lead time for climate interventions can be long as they often require changes to regulatory frameworks (e.g. new power purchase agreements), land acquisition, environmental and social due diligence etc. This implies at least 3 years for green field infrastructure investment;
- There are advantages related to co-financing with MDBs – they are mainly in the area of policy and technical expertise, capacity and drawing on their pipeline and alignment with other MDB activities;
- The advantage of working with MDBs offering ‘whole of EBRD approach’ or ‘IFC 3.0 creating markets’ needed to be better documented and the market creating impact analysed;
- Leveraging was an important parameter – but comparisons of leveraging of private capital mobilisation needed to take into account country and intervention risks – which make the leveraging factor difficult to use for comparisons of efficiency and effectiveness;
- Input targets need to be complemented with impact targets to have an effect;
- The on-going work among the wider group of Development Finance Institutions on blended finance principles and the importance of transparency and disclosure in this context needed further impetus. In reality very little information on the use and sources of private capital mobilised was disclosed and the questions regarding alignment to blended finance principles remained open;
- Concessional investments are not always easy to bring into play – this led Finland to provide small grants in addition to the investments to support development of interventions and provide the advisory work related to framework conditions.;
- The transaction focussed approach was costly in terms of staff time, levels of mobilisation, and impact – and needed to be complemented with catalytic activities that can bring mobilisation to scale.

Source: *Private sector case study*

4.2.7 Participation of and benefits for Finnish stakeholders

Finding 13. Domestic participation has been strong for CSOs and research institutions, but more challenging for the private sector and within multilateral instruments.

The Finnish CSO community has adopted climate change as a core priority and activity area, reflecting its close engagement with local stakeholders in climate vulnerable communities and countries. According to the Action Plan (2022), Finland’s climate actions are promoted by providing funding for the public sector, companies, interinstitutional cooperation, and non-governmental organisations. These include CSO, Research Cooperation, Institutional Cooperation. as well as the Finnish private sector. Climate change is a core research focus for Finnish universities and research institutions. The ICI instrument allow for cooperation between Finnish Government



Agencies and Partner organisations. These instruments have been relatively successful in terms of the number of partners and interventions supported. For example, the climate finance portfolio has allowed access for more than 40 Finnish CSOs, including Felm, Finnish Red Cross and WWF Finland. ICI has supported international partnerships for a range of Finnish government agencies and partner country organisations, including the Finnish Meteorological Institute, Geological Survey of Finland, Natural Resources Institute Finland, and Finnish Environmental Institute. These interventions tend to be focussed on adaptation and resilience activities.

CSOs and Finnish State Institutions have found it easiest to engage through their dedicated funding instruments.

Overall, the scale of funding through domestically oriented instruments is small relative to the financing flows and this figure has been decreasing over time. Despite the large numbers of interventions, the climate finance channelled through CSOs/INGOs, ICI and Finnpartnership has formed only a small part of the overall portfolio reflecting the relative low share of contributions channelled through these instruments as a relative share of the overall Finnish development assistance as well as the limited focus on climate and mainstreaming in that part of the Finnish portfolio. Taken together, domestically accessible climate finance is at significantly smaller scale than that allocated to multilateral funds and DPis. It is estimated that the share of climate funding implemented through Finnish partners was about 10% of the total, and that this share has been steadily decreasing following the similar trend in total ODA and a shift to non-ODA based instruments as well as a shift to increased multilateral finance.

There are increasingly fewer opportunities for Finnish institutional participation in regional or bilateral programmes. These types of interventions in particular have traditionally used Finnish expertise of state research institutes (e.g. Finnish Environment Institute, Finnish Meteorological Institute, Natural Resources Institute Finland), universities (e.g. University of Helsinki) and consultancy companies. Bilateral programmes traditionally offered routes to exploit areas of Finnish strength, including water, forest and agriculture and food security. The Forestry and Value Chains Development and Private Forestry Programme in Tanzania, Rural Village Water Resources Management Project in Nepal and Community-led Accelerated Water Sanitation and Hygiene in Ethiopia are examples of interventions with Finnish institutional participation which have contributed to the climate finance portfolio in 2016-2021. **Engaging the Finnish private sector proved difficult for a number of reasons related to the modalities and to the Finnish company structure and interests.**

Finland's comparative advantage and 'value-add' is not well articulated or understood.

Despite efforts few concrete results materialised. The decision to channel a large part of the DPI through multilateral organisations that are bound by their own procedures on procurement and aid effectiveness principles makes engaging the Finnish private sector challenging. Nevertheless, in the context of MDB investments into climate-related Trust Funds, opportunities for engaging the Finnish private sector were pursued. The lack of concrete results was not due to lack of effort – MFA, Business Finland and IFC and ADB Ventures met on several occasions with Finnish companies that had expressed an interest in cooperation to find common ground for cooperation within the MDBs own rules of operations. Finnfund has recently stepped up its attention to working with Finnish companies after a period where this priority has been given less consideration. With regards to the smaller private sector instruments - the Finnpartnership and the Devplat, climate was not seen as a major priority, and there was general concern about overloading relatively small contributions to small Finnish companies with too many policy priorities.



On the company side, there is a relatively small pool of companies with international focus on developing or transition economies, and much greater economic opportunity and lower risk of engagement within more developed European Union (EU) and OECD markets. Most Finnish companies are relatively small which makes it difficult to engage in complicated and long-term development processes that participating in e.g. MDB interventions entails. There were considerations in the MFA of a new and more strategic approach based on a combination of a better understanding on the part of Business Finland and MFA of the comparative advantages of Finnish companies in the area of climate and environment combined with an understanding of the needs and risks of the Finnish private sector to engage with the MDBs and Finnfund in developing markets. There was also a need for greater insight into outcomes of the contributions to Finnish companies in the context of the Finnpartnership and DevPlat to better assess the potential for these instruments to support the Finnish climate ambition – not least in providing Finnish technologies and solutions to climate challenges in developing countries. E.g. a recent evaluation of DevPlat activities did not address activities related to climate specifically.

4.2.8 Country level insights

Finding 14. It is difficult to bring together the Finnish offer at the country level due to the range of instruments used, and the high reliance on multi-lateral channels.

It is difficult to bring together the Finnish offer at the country level due to the range of instruments used, and the high reliance on multi-lateral channels.

There are two different models of Finland's country engagement that influence how climate finance is designed and delivered. These two models are represented by those with structured bilateral country programmes and those transition countries that have graduated economically and are trending towards more commercial private sector interventions. To understand both models, the evaluation undertook in depth review of Tanzania

as a dedicated country program, whilst engaging in a lighter touch way with Vietnam as a transition country.

All of Finland's climate finance is implemented at the country level, irrespective of instrument used, which creates the need for better understanding of national interests and alignment in intervention formulation. Most modalities (e.g. MDB, and bilateral programming) respond directly to national policy and planning priorities in a structured way and generate interventions in discussion with key national stakeholders. Others reflect the narrower interests and concerns of individual stakeholders in the donor country or pursue individual commercial transactions.

Finland contributes to climate action through multiple interventions and instruments, although synergies between these instruments are not often clear, even within the same sector. For example, in the Tanzania case study, there were a range of instruments (bilateral, CSO, ICI, Finnfund). To enhance the efficiency, effectiveness and impact it is relevant from a Finnish perspective to promote synergies between different interventions. The range of instruments and funding channels used complicates the integration of the Finnish climate finance offer, and the level of alignment and complementarity at the country level between interventions is limited. There can be a disconnect between bilateral country programmes and other instruments. In theory co-operation beyond the bilateral is guided by the country strategy.



Bilateral programming within country programmes is demand-driven with agendas largely set by partner governments, which may limit the ability of MFA to achieve its outcomes and requires a focus on climate influencing and diplomacy. While in the bilateral programming space, there is some scope to suggest or influence, in practice the agenda is set by the host government, with donors expected to contribute to domestically driven agendas. In practice, this means that Finland to a great extent depends on the policies of its partner governments for the level of bilateral programming that can be committed to climate outcomes. This can limit the scope for engagement on climate issues where there is no alignment, but also requires a greater focus on integrating climate into bilateral influencing operations.

Interventions in transition countries are more dependent on partners identifying areas of mutual interest, but with more limited engagement by the MFA and a more decentralised approach to intervention origination (e.g. Vietnam). The ability to align political dialogue and diplomacy with climate finance is more of a challenge in transition countries where there is no longer a dedicated bilateral development assistance programme. In these countries (e.g. Vietnam), climate finance is dependent on implementing partner interest in MFA instruments and there is much more limited scope for strategic planning or control at the national level.

Despite policy ambitions related to mainstreaming of climate into development cooperation, climate was only to some extent mainstreamed into Tanzania country strategy (with a focus on the forestry sector). In the context of bilateral programming, climate change is primarily mainstreamed into sectoral programming rather than structured as a dedicated climate finance workstream (e.g. Tanzania forestry). There are some dedicated regional climate change focussed activities (e.g. Asia Green Investment). However, mainstreaming has posed some challenges. The approach to forestry as a non-climate specific engagement created some level of structural disconnect with others working on climate finance in country. For example, the Finnish Embassy with the Tanzania climate change donor group, nor does it engage with the Vice President's Office responsible for climate change action. There is a clear need to bridge mainstreamed climate finance to the political structures responsible for climate action in a country context.

There is a structural disconnect between multilateral funding and country programming with limited awareness or interaction, and no consolidated narrative of results. Discussions with country teams indicate that there is little or no awareness of the activities of multilateral funding channels with regards to climate, nor of the role that Finland plays in funding or supporting them. For example, in both Tanzania and Vietnam, embassy staff had limited visibility on interventions being funded through channels such as climate funds (Green Climate Fund, GEF), or multilateral investments through DPs. Greater clarity is needed for in country representatives or where Finland of how multilateral contributions are operationalised in priority countries.

With more climate mainstreaming, care needs to be taken that direct linkages to climate policy and institutions are not lost.



Box 11 Programme coordination in the country context

Example: Challenges of coordination and collaboration in Finland's Tanzania portfolio

Finland has a well-established portfolio of forestry interventions in Tanzania funded through a range of instruments. Bilateral forest interventions (such as Private Forestry Programme (PFP), Forestry and Value Chains Development (FORVAC) and their predecessors) have been implemented under the joint country strategy/programme approach since 2013 and in coordination with the same national partner (Ministry of Natural Resources and Tourism (MNRT)).

There are two distinct areas of forestry within the portfolio. For example, bilateral cooperation covers two different types of forest ecosystem; natural forests managed by Village Natural Resource Committees for natural forests and small-holder plantations (PFP). Finnfund has supported large-scale commercial plantations.

There are multiple areas of potential linkages and synergies across the portfolio. These include:

- *Similar beneficiaries:* Finnfund and Tree Outgrowers Support Programme have had sequenced support benefitting same forestry companies;
- *Similar geographies:* Food and Forest Development Finland (FFD) and PFP operate in same southern highlands;
- *Similar thematic focus:* CSO support (WWF, Finnish Evangelical Lutheran Mission (FELM), FFD) and FAO Forest and Farm Facility operate in the same thematic space;
- *Follow on and scaling:* INFORES built on Finland's past support on National Forest Resources Monitoring and Assessment.

The most consistent story of alignment relates to plantation forestry supported by Finnfund investments and bilateral programmes (industrial, small-holder and out-growers) contributing towards the increase in forest cover while providing employment, income and livelihoods.

In practice, however, examples of concrete collaboration are limited, and expectations of linkages had not been realised. To improve coordination, the follow-on intervention for PFP II and Forvac has been proposed in format that brings the working in small-holder plantation and natural forests under one initiative.

Source: Evaluation team Tanzania case study



4.2.9 Influencing and multilateralism

Finding 15. Finland is viewed as a pro-active international partner, with high levels of influence, particularly on climate-development linkages.

As part of the evaluation, the team reached out to a range of multilateral donors (IFIs, Climate Funds) to understand to what extent MFA had sought to influence their approach and ambition. Influencing operations are key in the context of multilateral contributions and DPIs where the intermediary (MDBs, Climate Fund, Finnfund) has significant operational control over the funds once they are committed by MFA. As such, it is important to frame institutional and intervention objectives (e.g. targets, results frameworks, reporting) at intervention design and approval stage to ensure consistency with Finnish objectives and be able to access relevant impact data.

Finland remains a valued international partner, particularly on climate-development linkages.

The MFA uses multilateral influencing to actively strengthen the way that climate finance is used as part of a broader pattern of multilateral engagement. Finland has a long history of supporting multilateral engagement and sees the potential for the multilateral system to be a multiplier of Finnish interests. The country is perceived by partners as part of a progressive Nordic grouping aiming to deliver improved ambition, align climate finance with other cross-cutting objectives and improve transparency. Finland engages with strategy and review processes in a pro-active way and its inputs are highly valued by key stakeholders within the MDBs and climate funds. Intermediaries and other partners appreciate Finland's engagement and input on governance, quality assurance and the capacity and willingness of MFA staff to engage in a timely and flexible way. By doing so, it the MFA able to play an outsized role, relative to the scale of its funding.

Finland is not regarded as particularly innovative by its partners in the climate space (e.g. in terms of co-developing financing instruments or approaches), but it does nonetheless support innovative interventions (particularly through the MDBs). While Finland's efforts and financing are well appreciated in the international community, it does not as a donor have a strong reputation for innovation in the use of instruments or approaches. This is in part due to a lack of time and resources among MFA staff to focus on innovation around instruments or business models. Finland does, however, support innovative climate interventions, particularly through the MDBs. For example, Finland's support to ADB Ventures helps develop innovative technological solutions such as the Smart Joules project that tests new technology to improve energy efficiency in buildings, or support for design and manufacturing of small electrical vehicles. The extent to which Finland influences the origination or shape of these interventions is less clear, particularly where they are multi-donor facilities.

Finland's contribution is perceived as stronger in championing equality and equity considerations (gender, human rights) within climate finance programming. Beyond Finland being a reliable partner, interviews with representatives of multilateral institutions (MDBs, Climate Funds), indicated that the country's strengths are seen more in mainstreaming social considerations (e.g. gender and human rights-based approaches) into climate finance where alongside other Nordics, it plays a key role. It is particularly strong on ensuring strong gender targets in programming. This is in part because Finland's influencing priorities are largely defined by overall development policy priorities.



Finland has strengthened its engagement with multilaterals on impact and additionality over time, in particular in terms of private sector operations through the MDBs. Within the climate finance portfolio, it was recognised by a range of stakeholders that Finland had worked over time to strengthen its influencing operations, particularly around issues such as additionality, market creation and financial mobilisation. There has also been an increased focus on engaging around transparency of results and reporting (particularly on attribution and issues of timing). For example, the first co-investment fund established with IFC (IFC BFCP) focussed on returns, capital mobilisation and market creation with the Finnish private sector but had limited attention to impact targets. During implementation, impact in the form of GHG emission reductions had been calculated in accordance with IFC normal procedures. In the ongoing follow-on discussions with IFC impact targets are now a mandated priority. For more recent funds such as ADB Ventures, there was more upfront emphasis on impact both with regards to measuring climate impact (GHG emission reductions and people with strengthened climate resilience), and capital mobilisation as part of the original proposal. In negotiations, Finland provided a strong emphasis on input targets for climate, gender, and country focus to guide fund activities. Attention to leveraging and blend finance principles such as additionality and market creation impact increased over time in MFA – without

There are significant methodological and resourcing challenges in building an integrated result narrative for climate finance, particularly given staffing constraints in MFA.

this being a demand in negotiations of the funds. In all MDB related Trust funds, Finland has consistently advocated attention to gender based on its national target of at least 85% of interventions paying attention to gender. Similarly, MFA advocated targets for climate where climate was not a major objective e.g. Finnfund which now has a target of at least 50% of funding for climate. Setting input targets has so far not been followed up with impact targets e.g. in the context of Finnfund, but Finnfund does measure its net climate impact.

4.2.10 Quality of target setting and results management:

Finding 16. There are significant methodological and resourcing challenges in building an integrated result narrative for climate finance, particularly given staffing constraints in MFA.

Finland has struggled to tell the story of its international climate finance due to a lack of coherent narrative supported by results and data. The lack of overall strategic framing of the international climate finance portfolio, combined with challenges in developing consistent and aggregate impact data mean that MFA continues to be reliant on case examples to tell its story and struggles to provide a consistent narrative around impact and overall value for money. This creates political challenges in terms of justifying spend to a potentially sceptical political class and public, as well as defending climate change as a development impact objective against other competing priorities.

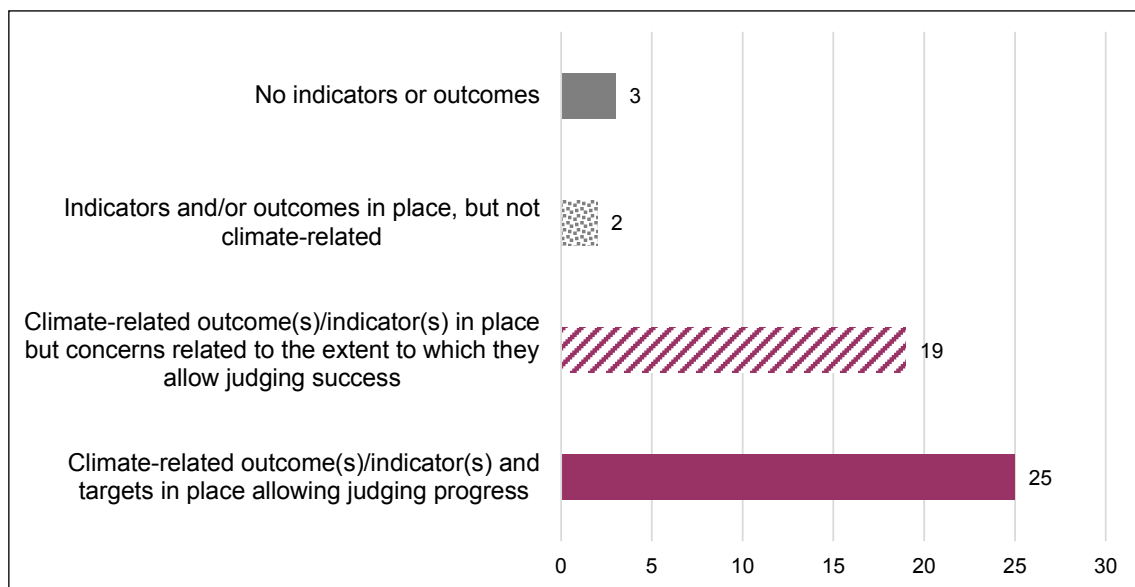
The lack of consistent reporting, results management impedes the capacity of MFA to provide a clear narrative of progress against objectives and value for money. Although 80% of the sub-portfolio had climate relevant indicators/results frameworks, there is no use of central targets or measurable objectives at portfolio level. There is a highly inconsistent approach to indicator methodologies (among multilateral partners) which makes aggregation challenging. Reporting tends to be siloed by channel and instrument, with variable application of mainstreaming for results management (indicators, target setting, methodologies). This is compounded by the lack



of overall strategy, theory of change and results framework. Although Finland has defined climate resilience in its crosscutting guidelines, there remain particular challenges around elaborating targets and theories of change for adaptation. Rio-marker classification is improving over time with added resource and Quality Assurance (QA).

Most interventions make use of climate indicators, but these are not always well structured to assess progress or impact. As part of the sub-portfolio evaluation, an assessment was made of the level of indicator use at the intervention level in relation to climate reporting. The majority of interventions used some level of climate reporting, but this was not always well suited to measuring or monitoring impact (see Figure 20). This is particularly true in interventions with climate mainstreaming.

Figure 20 Assessment of use of climate indicators in sub-portfolio



Source: Evaluation team assessment

As a relatively small donor with a heavy bias towards multilateral funding channels, Finland is somewhat dependent on alignment and consistency in results methodologies between multilateral funds. It therefore needs to engage to improving the transparency, timeliness and alignment of multilateral reporting. However, it should not spend too much resource trying to consolidate methodologies for its own reporting.

Considerable time and manual effort are spent trying to collect and aggregate data for reporting.

It is challenging to report thematically due to instrument siloing although early efforts are emerging for the 2023 'Results Day'. This means that MFA is dependent on labour intensive processes to aggregate results on an annual basis, and often has to rely on examples, rather than consolidated portfolio level results.

Capacity constraints around MFA staffing create challenges for reporting, particularly given the widespread use of climate mainstreaming.



4.3 Remaining relevant, credible, influential and impactful

This chapter addresses EQ3: Over a five-year period, how can Finland ensure that its Climate Finance Action Plan evolves to remain relevant, credible, influential, and impactful?

4.3.1 Emerging trends in climate finance

The portfolio needs to evolve to meet emerging challenges such as climate-biodiversity linkages and loss and damage.

Finding 17. A number of emerging trends (e.g. Paris Alignment, loss and damage, nature and bio-diversity linkages) will likely shape future strategy development.

A number of trends and emerging structures are helping shape climate finance, which in term may help frame decisions around Finnish support going forward. Some of these are set out below:

- a) **Reaching USD 100 billion climate finance goal.** Analysis by the OECD indicates that the \$100 billion annual goal of support by developed countries (including donors and MDBs) is likely to be met in 2023 and sustained into 2024 and 2025. Having reached the target, there will no doubt be pressure to increase the flows beyond this. This scale of financial flows nonetheless requires sufficient capacity to deliver/absorb as well as a pipeline of interventions to be able to address the challenge in a timely manner.
- b) **The adoption of the Paris Agreement and the subsequent commitment of development partners to align their activities and development assistance to the Paris Agreement have strengthened the integration of development and climate objectives.** Development cooperation is increasingly based on up-stream analysis of climate risks and based on national climate and development strategies that are gradually being developed and improved. E.g. the MDBs and some UN organisations and many bilateral donors has developed tools and procedures to ensure Paris Alignment of their activities. At the centre of these tools is the understanding that climate and development are intrinsically linked, and all activities need to be based on integrated climate and development analysis as well as the need to improve beyond status quo to support development pathways that can pursue efforts to limit the temperature increase to below 1.5°C.
- c) **And closely linked to b) and the increased focus on greening economies rather than greening interventions.** In recognition of the scale of the **transformation** needed there is a need to move beyond the intervention focus to address climate as an integrated part of economic development, and to an increased focus on global and national policy changes that is needed to drive the green transformation.
- d) **Reform of the international financing architecture:** Over the last 2 years, government shareholders from developed countries have been under significant pressure to implement radical changes to international financial institutions. Going forward these institutions, such as the World Bank, should be able to carry out three key processes in a far faster, and more successful fashion – attract private capital, dedicate a higher proportion of funds to climate and increase focus on more climate vulnerable countries (particularly linked to debt and poverty cycles).



- e) **Special Drawing Rights (SDRs) from IMF and Bridgetown Initiative.** SDRs are available from the IMF and are likely to be used to allow transfers of funds from developed to developing countries facing extreme climate events. SDRs are a reserve asset redeemable for hard currency and could be voluntarily redistributed from developed countries to developing countries—including middle-income countries that are especially climate vulnerable—to provide emergency liquidity, or a rapid infusion of multipurpose assets to respond to extreme climate events. This is part of the Bridgetown Initiative seeking to address high debt burdens and financial impacts associated with climate change. The initial tranche of USD 100 bn is expected in 2023.
- f) **Development of a Loss and Damage Fund.** COP27 saw the long-awaited announcement of a Loss and Damage Fund to provide support for communities already impacted by the effects of climate change. There remain open questions as to how the fund will be operationalised, but there are expectations that the process will be simpler than existing climate finance interventions (potentially using multi-dimensional vulnerability indices). It remains to be seen how such a fund might differ from traditional disaster relief support, and how the potential for disincentives to pursue adaptation might be addressed.
- g) **Stronger climate-biodiversity linkages:** While nature-based solutions and the biodiversity agenda are not new, they have evolving along their own UN track (with associated financing). Linkages are being strengthened however, recognising the role of both in terms of carbon sinks for mitigation as well as green infrastructure for resilience (e.g. Mangroves). Biodiversity discourse is increasingly being linked and integrated into climate change discourse, with budgets also becoming blurred (for example the United Kingdom (UK) pledged at least £3 billion of its international climate finance budget towards nature). The recent COP15 made clear the significant overlaps and co-benefits between the two agendas.
- h) **Debt for Climate Swaps;** Debt-for-climate and debt-for-nature swaps—forms of debt restructuring or relief in exchange for debtor countries' investment in climate or nature initiatives—may offer a structural solution to high indebtedness, funding constraints, and the climate crisis. While still quite rare, they are beginning to emerge. For example, Belize in 2021 agreed a deal equivalent to 12% of Gross Domestic Product (GDP). Likewise, Antigua and Barbuda are negotiating a debt swap to the value of USD 245 million.
- i) **Increased finance for adaptation:** The UN Adaptation Gap report continues to identify international flows to adaptation as significantly lower than needed (by a factor of 5-10 times). In the run up to COP28, there is ongoing pressure to deliver the additional \$40 billion for adaptation finance announced at Cop26.



4.3.2 Peer donor orientation

Peer donors facing the same challenges are developing their own niche in terms of sectors and instruments.

Finding 18. Peer donors facing the same challenges are developing their own niche in terms of sectors and instruments.

As part of the evaluation, the team conducted a desk review of and held interviews with peer donors to understand emerging trends and development pathways that might provide insights for Finland's climate finance approach. Canada,

Ireland, Sweden and Switzerland were chosen as countries likely to provide relevant insights in terms of scope and scale. The review looked at strategy, priorities, country focus as well as the modalities and approaches to climate finance. Finally, issues around resourcing and institutional structure were examined. The following sets out the key insights which can help shape the context of Finland's climate finance operations:

- a) **In terms of fair share, there were significant differences in the level of climate finance provided by peers.** Climate finance has steadily increased over recent years across peer group (with the exception of the 2019-20 when resources were reprioritised towards the COVID-19 pandemic). An international comparisons of developed countries contributions to 'the USD 100 billion' goal by 2020 showed significant variation. Of the peers reviewed, only Sweden delivered its 'fair share' of climate finance – in particular Canada's performance was lacking, providing as little as 18% of its fair share. The level of climate finance to a large extent reflected prevailing ODA levels and the alignment of countries with the 0.7% GDP ODA target.
- b) **The use of comprehensive climate finance strategies is not common but beginning to emerge among peers.** Only one of the peers - Ireland had a well-developed strategy for international climate finance (developed in 2022), although others had financial targets and some guidance. Ireland had developed this strategy to guide a scale up its envisaged increase in climate finance over the period to 2030. The strategy sets out both financial objectives as well as other metrics. Switzerland (State Secretariat for Economic Affairs (SECO)) is in the process of further developing a climate strategy to clarify and strengthen its climate focus. Switzerland and Canada both have financial targets as well as other metrics and stressed the importance of long-term financial targets in protecting ODA from either additional demands or cuts.
- c) **Paris alignment and mainstreaming are increasingly important.** Gradually peers are embracing integration of climate considerations into all development cooperation activities and shifting away from purely dedicated climate funding. This reflects a wider transition into fully mainstreamed climate change. Some countries – Sweden and SECO - developed procedures for alignment of ODA to the Paris Agreement which included mainstreaming guidance/environmental impact assessments, and in the case of Sweden alignment with NDCs. There was varying understanding of what alignment to the Paris Agreement meant – but increasingly it was understood that it meant improvement beyond status quo, to ensure compliance with keeping temperatures increases below 2.0 and preferable closer to 1.5 degrees. Best practices with regards to improved mainstreaming include: Increased focus on up-stream analysis of climate and development challenges to address risk and opportunities related to climate change, contribution and alignment with national NDCs, integration of climate indicators in interventions, analysis of alternative technologies/ potential lock in.



- d) **Within the peer group, there was strong convergence on thematic priorities, but with some areas of specialisation, reflecting national capacities and interests.** All countries had a clear focus on poor and vulnerable countries, an attempt to balance adaptation and mitigation, and established support for a range of initiatives across energy, agriculture, and food security. These priorities largely determined funding allocation and programming. Ireland and Switzerland had a stronger focus on community-based adaptation and disaster risk reduction (DRR), with DRR being mainstreamed in Swiss Development Cooperation (SDC) assistance and a focus on working with NGOs on humanitarian and disaster risk reduction. Elsewhere, SECO had a focus on support for macroeconomic and private sector framework conditions, incl. financial sector development, energy efficiency and planning. In Sweden, energy efficiency, renewable energy and circular economy were common themes, and for Canada clean energy, carbon capture, and forestry. None of the peers as part of their strategic objectives had a clearly stated objective to engage their own private sectors. Peers pointed to national DFIs as important partners to engage national commercial interests.
- e) **All peers recognised the growing importance climate finance for adaptation, including the political and practical need a clear offer for Loss and Damage.** There was broad based recognition that costs of climate change will continue to rise, and that investments in averting and responding to impacts will need to increase. SDC has a clear focus on DRR for example, with its focusing on prevention, early warning and establishment of risk insurance. Attention to disaster risk reduction (DRR) is described as an approach in SDC development assistance. Ireland had taken a leadership position in international negotiations on Loss and Damage with a focus on risk management and social protection.
- f) **The importance allocated to private sector mobilisation differed.** Canada and SECO were strongly focussed on creating an environment conducive for the private sector engagement, recognising the need for commercial funding and technological inputs to deliver the Paris Agreement. Canada's approach (like Finland's) is transaction based primarily through the use of concessional investments/loans (primarily through MDB trust funds with supporting technical assistance to support market and intervention development). Loans represent 70% of funding, although grant elements are forecast to increase to 40% over the current programming period. Sweden has a long history of providing guarantees for private investors (e.g. to cover political risk and credit risk), which was now extended to also fund climate related activities. A lesson learned by Canada and Sweden was the need to continuously promote alignment to the blended finance principles to ensure use of blended finance instruments does promote market creation. Neither Switzerland nor Ireland, however, use blended instruments to any significant extent. SECO is more focussed on upstream enabling environment reform through the use of grants, sensitive to the potential for market distortion in blended finance instruments (including through MDBs).
- g) **There is focus on mobilising new and additional resources – through impact investments.** Both Ireland and Switzerland aspire to become global hubs for sustainable impact investing. For Ireland, this represents a new aspiration launched in the context of its new climate strategy but in line with its broader national positioning as an emerging finance hub. For Switzerland, the ambition is rooted in Switzerland's already sizeable share of global impact financing. The government has backed an effort to address challenges in the current financial and regulatory system to becoming a sustainable finance hub as well as a public-private sector dialogue 'Building Bridges'.²⁷ Another Swiss initiative that is being developed now is a cooperation between SECO, SDC and the UBS and Credit Suisse foundations, that

27 Schweizerische Eidgenossenschaft. (2022). Sustainable finance in Switzerland. Areas for action for a leading sustainable financial centre, 2022–2025. Federal Council Report and Building Bridges. (2023). About us.



are going to provide grant finance for development of new impact investing tools. Lessons learned by SECO so far relate to the need for a focus on climate impact from the outset of developing new impact investment instruments, rather than solely focussing on mobilisation of private capital.

- h) **Peers all used a combination of bilateral and multilateral approaches for delivery of finance.** The use of multilateral channels by all donors reflected a collective commitment to the international UNFCCC negotiations and associated architecture. Peers recognised the political importance of backing multilateral initiatives, even if this risked some level of fragmentation. The use of the multilateral system also recognises capacity and resource constraints faced by small and medium size donors in intervention origination and oversight. All peers supported the support Green Climate Fund and the Global Environment Fund. There was also a common commitment towards support for the MDBs who were regarded as important actors for financing country level strategies and mobilizing large scale investments, including for the private sector.
- i) **In geographic terms, peers differ in their allocation and focus.** The evaluation undertook a review of Peer country climate finance. Much finance classified as multilateral is not geographically allocated. For more targeted investments, Canada provides a large share of its climate finance through co-financing of trust funds with MDBs which is reflected in the high share for regional Asia and America, (more than 50%), whereas Ireland's bilateral approach is reflected in the large share of funding going to Sub-Saharan Africa, LDCs, and in particular countries such as Malawi and Ethiopia. A major part of Sweden's climate finance was channelled for global funds and trust funds and implemented through multilaterals, this was reflected in the high share of 'unspecified' and 'unallocated'. Switzerland used a mixture of bilateral and multilateral channels with SDC stronger in the bilateral area and SECO in the multilateral area through its cooperation with the MDBs.
- j) **Peers have differing levels of Rio-marker shares, reflecting the level of mainstreaming of sectoral concentration.** For example, Switzerland has a higher share of significant funding (Rio Marker 1) due to a concentration on agriculture, multi-sector approaches and governance. Canada has a strong emphasis on clean energy (approximately 75%) resulting in a much higher share of principal climate finance (Rio Marker 2). Sweden has a balanced portfolio, combining environment, multi multisector, agriculture and energy. Finland is the country with the highest share of Rio Marker 1, main streaming.
- k) **Peers also had strong gender mainstreaming approaches.** Canada, Ireland and Sweden had a very strong focus on gender in their climate policy based on feminist foreign policies where gender equality is a separate priority area.²⁸ This implies 1) supporting women's leadership and decision-making in all aspects of climate change mitigation and sustainable natural resource management; 2) ensuring climate-related planning, policymaking and financing address the particular needs and challenges of women and girls; and 3) supporting employment and business opportunities for women in the renewable energy sector.
- l) **From a resourcing perspective, peers were focussed on building capacity within their teams, particularly around climate mainstreaming.** Recognising the Paris alignment approach and shift towards more comprehensive mainstreaming, Peers indicated that they were investing heavily in processes and systems to support the integration of both climate opportunities and risks into wider development assistance. All countries devoted attention and staff to climate diplomacy. Most of the peers also supported developing countries' participation in climate negotiations to ensure their voices were heard.

28 The Swedish government that took office October 2022 has removed the word 'feminist' but continue to pursue the goal.



- m) **Peers attempt to draw upon a whole of government approach for expertise but struggle to align strategy and implementation.** Sweden pointed to the importance of drawing upon sector expertise from other ministries (energy and environment), which had been helpful in the on-going process of building up capacity. Canada, Sweden and Switzerland, all applied a whole of government approach in delivering climate finance as climate finance was divided between different ministries, and DFIs. This implied regular meetings, and development of joint positions in international climate negotiations, but seldom coordination of strategies and clear delineation of work. There was a need for continued attention to building on these co-operations in particular developing one climate strategy for the full effort on which basis the work could be divided between various government entities effectively.²⁹
- n) **All countries recognised increasing competition for ODA resources and political challenges in justifying climate finance to a public facing economic hardship.** Competing demands included responding to conflict (often climate related such as Sudan, Sahel) but also to the war in Ukraine. Another area of increasing demand was the emergence of biodiversity as a thematic area (with strong linkages to climate) but with potentially parallel financing needs, necessitating the exploration of co-benefits and linkages between the two areas to avoid double counting.
- o) **All peers considered reforms of the international financial architecture as critical.** In order to scale the volumes of finance (both public but in particular private), reforms of the MDB architecture are considered vital by the peers. An increased focus on market creation, framework conditions, alongside a shift from transactions to programmes and portfolio approaches were considered important. MDBs are considered to have a catalysing effect on national DFIs in terms of their ambition, financing approaches and methodologies.

4.3.3 Implications for development of MFA climate finance and Finnish value-add

Finding 19. Finland has the opportunity to create a more focussed and ‘right-sized’ climate finance offer, reflecting Finnish capacity and strengths.

From an emerging issues perspective, irrespective of the approach to strengthening the strategy, there are a number of themes that will need to be addressed under any scenario. These include thematic financing areas such as Finland’s approach to alignment between biodiversity and climate finance, and a clear position on loss and damage (particularly in relation to climate adaptation funding).

Given ongoing funding cuts to development cooperation, Finland will remain under pressure to ensure that it is able to meet its fair share of climate finance within the context of the USD \$100 billion goal under the Paris Agreement.

There are opportunities for Finland to build a more targeted climate finance offer that reflects its capacity and strengths.

In terms of its peers, there are several trends identified that are relevant to shaping MFA approaches going forward. These include the development of a clearer climate finance strategy, a more integrated approach to Paris Alignment and mainstreaming, a better coordinated

²⁹ See Government of Canada. (2022). Report on the Horizontal evaluation of the International Climate Change Cooperation.



'all-of-government' approach to climate finance (including aligning domestic and international agendas, and improving climate finance and diplomacy linkages), an increased focus on market development alongside private sector transactions and greater emphasis on multilateral influencing (reflecting a trend towards pooling funding through multilateral channels and improving the effectiveness of the international system).

From a value-add perspective, Finland has managed to establish elements of comparative advantage in its approach and there are areas of focus that might be further strengthened going forward. Finland is a small donor, whose efforts are broadly aligned with and difficult to differentiate from the activity of other (larger) donors. It is unrealistic to expect that it can find a niche that is entirely occupies, but it might seek to play an outsized role alongside other bilateral and multilateral partners in certain areas. Finland has managed to develop a reputation and strategic positioning in several thematic areas (early warning services, met services, DRR), implementation channels (leveraging Finnish CSO and institutional cooperation, Finnfund and DPis for private sector engagement), influencing and governance approaches (e.g. pro-active shareholder/funder engagement) as well as building a strong position in the intersect between climate finance and other cross-cutting development objectives such as gender and human rights. These are areas that might be strengthened through a process of strategic focus. There are other potential sectoral areas (both existing and new) that could have a clearer focus and Finnish offer if the activities across different instruments could be better integrated and a value proposition developed (e.g. agriculture, forestry, water) or potentially in terms of the emerging agenda on loss and damage or biodiversity-climate linkages. The wider engagement of Finnish private sector needs to be based on a clear-headed understanding of capacity and willingness to engage.



5 Summary of EQ findings

The following provides an overview of the portfolio analysis and findings by Evaluation Questions:

1. To what extent is the Finnish international climate finance relevant to and coherent with national, global development and climate agendas and the priorities of those involved and affected?
2. To what extent has Finland's climate finance portfolio delivered results over the period 2016-22?
3. Over a five-year period, how can Finland ensure that its Climate Finance Action Plan evolves to remain relevant, credible, influential, and impactful?

Portfolio analysis

- Finland's Climate Finance disbursement in 2016-2021 was EUR 663.7 million, comprising development policy investment contributions and grants-based official development aid. The scale of financial disbursement varies significantly by year reflecting variations in political support for climate finance and ODA more generally under different governments. Loans and investments represent half of climate finance over the period. There are different levels of finance that flow through different channels with much higher disbursements through multilateral channels and Finnfund, and with domestically oriented instruments having a significantly smaller share. There is a high degree of concentration with the Top 10 institutional recipients receiving 75% of total climate finance.
- About 60% of finance over the period was to support mitigation with the remaining 40% for adaptation with different channels having different shares (e.g. a higher mitigation in development policy investments with a greater share of adaptation in CSO funding). Clean energy represents the largest sector within the portfolio. Over half of Finland's international climate finance is allocated without a country or regional specification with Africa being the largest region identified within the portfolio.

EQ1 Summary: To what extent is the Finnish international climate finance relevant to and coherent with national, global development and climate agendas and the priorities of those involved and affected?

- Despite the lack of a strategic framework, programming and funding allocation has been broadly coherent and sensible within the constraints faced by Finland's MFA. Climate action is represented across a range of instruments albeit without a strong sense of prioritisation or focus, and with a degree of siloing at instrument level. Finland uses an instrument-based approach with some funds dedicated to climate objectives, but also considerable mainstreaming of climate change across the portfolio. This approach reflects that MFA appears to be more focused on channels rather than climate or other development outcomes when delivering climate finance. Each instrument provides opportunities and constraints which might inform how MFA constructs its portfolio going forward, depending on policy objectives.



- Finnish Climate Finance is highly relevant to and aligned with global climate concerns (e.g. Paris Agreement and the UNFCCC process). It is also responsive to developing country climate objectives, informed by Finland's bilateral relationships and the networks and relationships of its implementing partners. Finnish Climate Finance is highly aligned with wider Finnish climate and other development policy objectives (e.g. gender, human rights), due to strong MFA guidelines. Linkages with climate diplomacy, however, have been less well exploited.
- Finland is regarded as a reliable and consistent partner in the international climate finance community, although its strengths are perceived as greater in the mainstreaming of other development issues into climate finance than on innovation on climate finance itself. Finnish climate finance offers a sufficient range of instruments through which domestic institutions (e.g. CSOs, Research, Private sector) can engage, alongside number of Finland-domiciled climate funds and initiatives, although it has been more challenging to align with Finnish private sector interests and the scale of these instruments remains small overall relative to multilateral channels. Although there are areas of thematic concentration within the portfolio, there are limited areas where Finland is seen as having specific comparative advantage in international terms.

EQ2 Summary. To what extent has Finland's climate finance portfolio delivered results over the period 2016-22?

- With almost half of the portfolio suffering implementation delays (mostly due to COVID-19), the MFA has been able to respond in a flexible and adaptive way and this has not impacted significantly on expected results.
- The majority of programmes funded by MFA were able to provide some level of information on relevant mitigation and adaptation outcomes. For mitigation, many interventions reported on GHG benefits alongside the underlying drivers (e.g. MW of clean energy, ha of sustainable forestry). For adaptation, results tended to focus on the number of beneficiaries with improved resilience (e.g. resilient agriculture, water or DRR systems), or ha of land under sustainable management) but with limited quantifiable assessment of resulting social or economic outcomes.
- There is strong evidence of the integration of gender, human rights and other development objectives in the climate finance portfolio, reflecting both effective MFA guidance and the large share of Rio Marker 1 interventions in the portfolio targeting other development aims. The mainstreaming of other development objectives is broad-based across instruments, but more challenging for commercial and private sector investment operations. Guidance on CCO integration could be more clearly presented to partners.
- Opportunities for higher level transformative impacts beyond intervention timescales or boundaries (e.g. through systems change or scaling) are generally well considered from a planning perspective in the portfolio. However, the long timescales associated with intervention design and delivery, together with a lack of long-term reporting and evaluation mean that these impacts are not yet available or are poorly captured in results reporting. Interventions within the sub-portfolio more often than not demonstrate some consideration of the sustainability of outcomes and impacts over time, with strategies oriented towards building local institutional capacity and skills, ensuring financial sustainability and follow on funding, and building commercial markets and supply chains.
- Finland has scaled its support for private sector engagement and private capital mobilisation through a range of instruments (primarily through MDBs and Finnfund) but their reporting on mobilisation effects is limited. Efforts have tended towards individual



transaction approaches rather than market development effects, with investments and technical assistance put into intervention support, rather than enabling environment. Increasing development impact and additionality are priorities.

- There have been good examples of participation by Finnish stakeholders in the international climate finance portfolio through specific instruments specifically targeted to such stakeholders (CSO, research cooperation, ICI). The Finnish climate finance portfolio has an explicit focus on supporting and leveraging domestic Finnish institutions and other interests. However, there have been challenges, particularly related to the use of multilateral instruments and a lack of interest/capacity from Finnish private sector organisations. Nonetheless, domestically oriented instruments represent a relatively small share of funding compared to multilateral and DFI contributions where Finnish participation is more challenging.
- Climate finance is present in the delivery of country strategies and climate co-benefits are present in some sectoral approaches (e.g. Tanzania Forestry), but climate is often not explicitly referenced due to a lack of effective mainstreaming. The large number of instruments deployed by MFA can result in multiple actors engaging on climate-related issues (often within a single sector), with challenges around coordination and with limited visibility (particularly on multilateral efforts).
- Finland is a highly engaged donor and has a strong track record of influencing its international partners and intermediaries (receiving specific climate funds), although these efforts have been stronger on cross-cutting objectives (gender, HRBA) than on climate ambition. It is increasingly trying to drive considerations of climate ambition, development impact and additionality into its private sector operations.
- MFA lacks an integrated approach to capturing climate results across the portfolio, reflecting variability in results reporting, methodologies and timescales, and the increasing use of multilateral channels (creating issues of attribution and transparency). This creates challenges for Finland in 'telling the Finnish climate finance story' and leaves it exposed to often unfair criticism or questioning around the development impact return on its contributions.

EQ3 Summary: Over a five-year period, how can Finland ensure that its Climate Finance Action Plan evolves to remain relevant, credible, influential, and impactful?

- There are a range of emerging trends in international climate finance (e.g. Paris Alignment, loss and damage, adaptation gap funding, nature and bio-diversity funding) where the global community will look to Finland as a progressive donor to respond financially, creating additional demands on the ODA allocation for climate finance.
- While each taking different approaches to climate finance, peer donors are collectively starting to strengthen their strategies around allocation of climate finance, engage diplomatically to improve the international financial architecture, increase their focus on adaptation and loss & damage, enhance private sector mobilisation, identify opportunities to leverage domestic strengths and create areas of domestic competitive advantage.
- The emerging trends in the international climate finance environment and among Finland's peer donors, alongside identified areas of comparative advantage can create the basis for creating a more focused strategy going forward, particularly around thematic prioritisation, the use of specific funding instruments, and if supported with the necessary resourcing.



6 Conclusions

This section sets out the overall conclusions for the report.

Conclusion 1. Strategy: The lack of overall strategy and clearly defined objectives for the climate finance portfolio reduces transparency over funding decisions, limits the discussion around the role of different instruments, and hinders attempts to measure overall progress or success.

Finnish climate finance has been shaped by a range of influences. These include a strong commitment towards its external climate and development obligations (e.g. the UNFCCC and Paris Agreement, 2030 agenda), as well as a wider commitment to multilateralism. Finnish development policy has climate change as a key thematic cross-cutting priority which can steer (but not mandate) thematic focus towards climate relevant activities across the various instruments. The portfolio has been shaped by guiding principles (e.g. a focus on African and Least Developed Countries), finance allocation targets (e.g. a 50-50 adaptation mitigation split) and budgetary decisions (e.g. annual decisions on grant-based funding) as well as partner interests. There are firm climate financing targets associated with some instruments (e.g. 75% of development policy investments should aim to be climate finance). Part of the portfolio also aims to support private sector development and leverage and provide opportunities for Finnish capabilities and interest.

The portfolio has also developed under a range of structural constraints and budgetary realities. For example, the trend within MFA away from ODA grant towards loans and investment has seen a resultant shift towards the use of development policy investments and private sector considerations in climate finance. This is as much a result of budgetary realities as a strategic choice to pursue this agenda, and only one that the MFA is catching up with in terms of strategy and capacity. The increased use of loans and investments through the DPI nonetheless comes with implications and trade-offs. Constraints around MFA human resources and capacities and the opportunity of economies of scale, more limited design and oversight have also encouraged a greater focus towards multilateral channels. Culturally, the Finnish approach appears to be present across the board, rather than choosing to specialise within a given sub-thematic area or on fewer partners. As a committed donor and progressive (if small) country, it appears important for Finland to be present in as many international fora as possible, even at the risk of spreading resources too thinly. This can indicate a preference for diplomatic signalling, and for interest in participation over results and impact. One stakeholder called this seeking to deliver 'UK ambition with Iceland resources'. Trade-offs in this regard are not well recognised or discussed within the MFA.

There is a lack of clear strategy for climate finance as has been identified by earlier reviews (NAOF, DPC). Responses to government and MFA policy guidance have focussed on supporting key international climate funds (i.e. Green Climate Fund, AF, Global Environment Facility), and working through MDBs (as important channels for mobilising the private sector). Dedicated climate funds and multilateral channels (e.g. MDBs) are generally either fully climate focused, or have clear climate targets (which Finland has helped influence through its shareholder participation, board representation and contributions). The prominence of multilateral funding channels has, however, created difficulties for engaging both Finnish public and private institutions in portfolio delivery, resulting in the need for a renewed focus in this area to address this trade-off. A significant share



of the climate finance portfolio emerges from mainstreamed programming primarily through calculations of Finland's share of contributions to multilateral institutions, whereas the climate share provided by instruments where there is no mandated share (i.e. ICI, CSO, bilateral, private sector instruments) was limited and is therefore largely demand driven and dependent on partner awareness of and interest in climate as a thematic area. Advisers and the quality of MFA guidance play a more important role in shaping these other areas of spending.

Despite the lack of a clear strategy, the MFA has nonetheless created a portfolio of projects and interventions that contributed broadly to global climate objectives, and which responds to the range of expectations of different Finnish stakeholders. Finnish interventions responded broadly to global calls for action incl. for engaging more actively on adaptation and for calls to mobilise the private sector. Different MFA instruments offer different routes to outcomes and impact and a combination of instruments will be required to ensure that the full range of climate outcomes is met. For example, a combination of climate dedicated funds with climate mainstreamed funds, the extent to which climate is mandated or mainstreamed, the alignment with developing country priorities, suitability for different thematic focus or geographic orientation, as well as the ability of climate finance to support private sector development, cross-cutting issues or engage with Finnish interests. Each instrument within the MFA portfolio offers different strengths and weaknesses and can be deployed in different volumes, dependent on the overall objectives and strategy. But the instrument-based approach also has limitations and made it difficult for MFA staff to promote greater impact by ensuring greater focus on fewer thematic areas and aligning instruments towards results and impact.

Although Finland has made efforts to increase climate finance including through the DPI – Finland's contribution to international climate finance continues to fall short of its fair share according to recent assessments. Recent assessments based Gross national income (GNI), historic emissions and population size indicate that although Finland is in the top 10% of donors in terms of climate finance burden share, Finland is contributing (and is expected to continue to contribute) less than its fair share towards the \$100 billion climate finance goal. Finland also provides a relative high share of loan support as part of its climate finance which can be less versatile and flexible than the use of grant resource from a qualitative perspective. Against other competing development priorities and crisis funding (e.g. Ukraine), the role of mainstreaming therefore becomes increasingly important in maximising Finland's contribution.

Conclusion 2: Relevance and Coherence: Despite the lack of strategy, Finland's programming is well aligned with multilateral objectives around climate action, responds well to developing countries' priorities, international partner expectations, and wider Finnish development objectives (e.g. gender and human rights).

Finland's climate finance has been highly relevant to international efforts on climate change. Finland's support for the key multilateral funds, and participation in a range of multilateral platforms has allowed it to signal its commitment to the international aims of the Paris Agreement and the architecture created to deliver it. Its balance between adaptation and mitigation spending reflects the call for scaling and equality of adaptation finance under the UNFCCC. Finland is regarded as a reliable and supportive partner by both the climate funds and the MDBs.

The portfolio is also well aligned with developing country priorities and needs. Multilateral channels provide evidence of consideration of national sectoral priorities (e.g. Nationally Determined Contributions, National Adaptation Plans, Low Emission, and other sectoral strategies). Bilateral programming is closely developed in line with national partners as part of co-developed



strategies. CSOs are sensitive to both national and community level priorities, particularly on adaptation and wider development concerns. There is more limited evidence of consideration in Finnfund and private sector efforts as to alignment with national priorities as these tend to be primarily commercially oriented and transaction focussed (although they often align with national priorities).

There is strong alignment between the climate finance portfolio and wider development policy aims. The proportion of mainstreamed climate finance across the instruments means that much climate finance has other primary development aims. Development policy objectives related to gender and HRBA are well represented.

Conclusion 3: Mainstreaming and Paris Alignment: While climate finance is reflected across the range of development cooperation instruments, the MFA has yet to fully embrace the international shift towards Paris Alignment. More effective mainstreaming provides an opportunity to increase climate finance without the need for additional financial resources.

A significant share of Finland's climate finance is mainstreamed across a broad set of instruments, encouraged by MFA high-level objectives on climate change. While the bulk of Finland's climate finance is provided to dedicated climate funds or through DPIs which have a mandated target for climate finance, much of the portfolio (particularly by volume of interventions) is represented by interventions with some element of climate mainstreaming, or where climate is only a secondary objective alongside other development priorities. This is particularly true of bilateral and regional programming, CSO, and PSI interventions which do not have an explicit climate finance mandate or target. ICI interventions, despite the lack of targets, had generally higher levels of climate finance as a percentage. Mainstreaming guidance has been developing, but remains relatively weak, with signals provided by the MFA's overall development objectives.

Finland has not yet embraced the principle of Paris Alignment in its international development finance portfolio. Internationally a major shift is underway to promote integration of climate and development objectives into one strategy at the country level considering the ambitious goals in the Paris Agreement. The MDBs are important players in integration development plans and NDCs as they have wide development mandates and are often engaged at the national policy and strategy levels in developing countries. MDBs and peer development partners are developing their approaches to climate mainstreaming to respond to the new ambition level. MFA has not really caught on to this shift. This was apparent in its approach to mainstreaming of climate which continued to promote a 'do no harm' approach when the ambition level in the context of the Paris Agreement is to move 'beyond status quo'. It was also apparent in the case of Tanzania, where despite cross-cutting aspects, climate in the country strategy this has not been a major part of the design and motivation of interventions (e.g. in the Forestry sector), despite obvious synergies. In contrast, Finnfund in the context of its cooperation with other national DFIs within EDFI had developed a toolbox for integration of climate change aspects into all its investment decisions.

Conclusion 4. Finnish Interests: MFA instruments provide opportunities for Finnish participation in climate finance delivery, but funding streams are relatively small, there are barriers to participation (particularly for private sector and in multi-lateral instruments), and the areas of Finland's comparative advantage are not well defined or understood.

Finland's instrument-based approach allows for participation by a range of different types of Finnish institutions: There are specific domestic instruments that offer access to Finnish institutions (i.e. ICI, CSO) as well as private sector partners (e.g. PIF, DevPlat, Finnpartnership). Finnish climate finance has also resulted in support for several Finnish domiciled funding initiatives



(e.g. Finnfund, Nordic Development Fund EEP) which indirectly provide domestic benefits. However, the extent of climate in these instruments is largely reflective of the interest and demand from participating intermediaries.

The portfolio demonstrates areas of national competence, and these tend to be concentrated in resilience-oriented interventions. Support from climate finance-oriented MFA instruments have allowed Finnish partners to engage internationally on a range of thematic areas primarily relevant to adaptation (e.g. meteorological services, land management, water management, sustainable agriculture), and on forestry (which has both mitigation and adaptation co-benefits). Met Services and DRR are highlighted as areas of specific skill sets and track record in delivery. Some areas of Finnish strength (e.g. on circular economy) appear underrepresented within the climate finance portfolio and the offer on energy, infrastructure, transport, and cities is generally under-developed (although more so through the multilateral DPI channels).

The increasing use of multilateral channels for climate finance makes it more difficult to include participation by Finnish companies and institutions. As Finland has shifted its support away from bilateral programming and towards multilateral channels, it has become more challenging to structure Finnish participation. This is partly due to the use of competitive bidding and non-tied aid by multilateral partners (particularly in multi-donor trust funds and investments), and partly the effort required to identify interested and suitably resourced Finnish partners where there are opportunities to promote Finnish participation directly. In addition, the MFA has limited resource to make facilitate introductions or connectivity between funding intermediaries and Finnish companies or institutions where they are not already part of the implementing infrastructure.

Efforts have been made to engage Finnish private interests in developing and participating in climate finance interventions. However, results to date have been limited in part due to a lack of interest and capacity among Finnish companies. Finland - through MFA, Business Finland and Finnfund - has invested in engaging Finnish companies in climate finance delivery and more broadly in delivering ODA. These investments have yet to show results at any scale. Partly it is also related to the size and structure of Finnish companies, their conservative risk appetite, and the larger opportunities in geographically closer markets with lower risks and transaction costs. This latter part also explains the limited success of Finnpartnership interventions in supporting the Finnish climate ambition. There are efforts underway in the MFA to overcome some of these difficulties through a more structured and prioritised approach to promotion of the synergies between Finnish competences and climate efforts.

Finnish CSOs and government agencies (e.g. research institutions) play a small but important role in contributing to Finnish climate efforts by bringing knowledge and networks to the climate effort. Finnish involvement is primarily through the non-multilateral instruments (e.g. CSO, ICI) as well as in bilateral programming. These instruments are broadly thematically neutral, and the presence of climate relevant objectives and activities is primarily a reflection of the institutional interest on climate of Finnish government agencies and academic institutions. Government agencies, research/academic institutions and CSOs have been active in pursuing funding opportunities as a way of supporting their own agenda and operations.

Conclusion 5. Country level influencing: At the country level, Finland's climate finance is transitioning from bilateral to multi-lateral and instrument-based approaches. In this context, it is vital to support climate mainstreaming, maintain line of sight to national climate policy discussions, and encourage coherence and visibility across different instruments.



Climate change has generally been mainstreamed into bilateral programming (e.g. Tanzania forestry), rather than provided as a stand-alone 'climate finance' offer. There are, however, some dedicated regional climate change-focussed activities (e.g. Asia Green Investment). Bilateral programming at country programme level is highly demand-driven, with the agenda set by or agreed with partner governments, and only limited opportunity to influence or direct priorities. MFA is therefore highly dependent on partner country interest and climate engagement needs to be negotiated as part of an offer. Transition countries that have graduated from bilateral programming are more dependent on MFA instruments and implementing partner demand, so MFA has less capacity to direct and shape the climate agenda.

Linkages need to be exploited between relevant interventions at the country level, and synergies with national climate policy and sectoral planning not lost through a mainstreaming approach. While a mainstreamed portfolio can provide significant climate benefits (as well as broaden the institutional base for development cooperation beyond traditional institutional partners such as the Ministry of Environment), it is important that linkages with climate policy discussions and sectoral planning are not lost (particularly around NDCs and 2050 Low Emission Development Strategies). For example, despite the significant climate benefits of Finland's forestry portfolio in Tanzania, Finland does not participate in the Tanzania climate change-donor group, nor does it actively engage with the Division of Environment - Vice President's Office (VPO) with responsibility for climate change at the policy level. At a country portfolio level, there are good examples of different climate finance-relevant instruments being brought together in a coherent and strategic way (e.g. bilateral, Finnfund, ICI in Tanzania), but with limited operational interaction between them. There is a strong disconnect between multilateral funding and other instruments, with limited awareness of or interaction with interventions to which Finland has contributed by embassy staff, and no consolidated narrative of results at the national level.

Conclusion 6. Multi-lateral influencing: Finland is well regarded as a small but supportive partner in the international climate finance arena, with a particular strength in promoting stronger climate-social equity linkages. Further influencing opportunities exist to improve multi-lateral approaches to additionality, development impact and consistency of reporting.

Finnish climate finance is strongly aligned with international financing efforts, although its strengths are perceived as greater in gender equality, than climate innovation. Finland is recognised as a collaborative and reliable international partner for other donors, climate funds and development banks. Through the multilateral system, Finland blends its resources with other donors to achieve scale and reach (e.g. GCF, GEF, AF, CREWS, etc). Its contributions are valued, despite it being a relatively small donor in the context of larger international funds and partners value its willingness to work in a positive and proactive way with likeminded donors to strengthen the international system. Finland is not regarded as innovative in the climate space (e.g. in terms of financing instruments or climate approaches), but stronger on mainstreaming social considerations (gender equality, human rights-based approaches) in climate finance where alongside other Nordics, it plays a key role.

Finland has taken a strong position in international climate diplomacy, there has been limited cross-fertilisation with the climate finance portfolio. Finland has been an active partner in the international arena on supporting more robust international climate finance, including its work on the Coalition of Finance Ministers for Climate Action, and the Champions Group on Adaptation Finance. Finland's contributions to international climate funds have allowed it to demonstrate its international commitment. However, there is limited alignment or leveraging of the climate finance portfolio to support wider diplomatic aims.



Conclusion 7. Results narrative: Climate and wider development results are not well captured across the portfolio and could be better synthesised into clear and compelling narratives. The absence of a clear strategy reduces the ability of the MFA to frame achievements around strategic priorities, leaving funding decisions around climate finance politically exposed.

From an outcome perspective, there is strong evidence that Finnish climate finance interventions are delivering results across both mitigation and adaptation. Of the interventions reviewed in detail, approximately 70% had strong evidence of climate relevant outcomes. For mitigation, these were primarily from clean energy (grid, off grid, cookstoves) as well as sequestration (primarily forestry) with more than half of relevant interventions also reporting actual or expected CO₂ benefits. For adaptation, outcomes were more broadly spread across a broad range of sectors (met services, water, land management, forestry), with many interventions reporting on number of beneficiaries with improved resilience and areas under sustainable management. It should be noted that some benefits accrue over time (e.g. CO₂) while others are dependent on long intervention lead times (particularly interventions through multilaterals) or associated with transaction-based investments where regulatory frameworks are needed for private sector investments to go ahead.

The reporting of results is more variable for mainstreamed instruments where climate may not be the primary focus. Interventions with defined climate objective (i.e. those that are principal or Rio Marker 2) generally have clearly defined climate rationale and indicators, that can be reported on. However, for interventions where climate is mainstreamed, the log frames may not always contain specific climate related indicators and hence the reporting of results is less robust. For some instruments (e.g. Finnpartnership), there is an element of box ticking that climate has been considered rather than any clear focus on actual climate indicators and results.

There is strong evidence of other cross-cutting development outcomes within the climate finance portfolio. Approximately 70% of the climate finance portfolio reviewed by the evaluation showed evidence or expectations of wider development outcomes. This is partly due to the strength and prominence of Finnish development objectives and focus on poverty and gender equality, but also because a large proportion of the climate finance portfolio is mainstreamed through the instruments. Evidence for gender or other social outcomes is stronger than evidence for climate outcomes within the Rio Marker 1 portion of the portfolio.

Target setting, reporting, results management, and aggregation are difficult to deal with across the portfolio reflecting the multiple implementing partners of Finnish climate finance, impeding the capacity of MFA to relate the narrative of progress against objectives and value for money. Although 80% of the sub-portfolio related to climate had climate relevant indicators/results frameworks, there is no use of central targets or measurable objectives at portfolio level. There is a highly inconsistent approach to indicator methodologies which makes aggregation challenging. This is compounded by the lack of overall strategy, theory of change and results framework. Rio-marker classification is improving over time with added resource and QA. The difficulties are also related to the multiple implementing partners of which many are multilaterals and have their individual systems of results and reporting. Finland needs to engage with its implementing partners – not least the multilaterals - to improving the transparency, timeliness, and alignment of reporting. Reporting tends to be siloed by channel and instrument, with variable application of mainstreaming for results management (indicators, target setting, methodologies). It is also challenging to report thematically due to instrument siloing although early efforts are emerging for the 2023 'Results Day'. This means that MFA is dependent on labour intensive processes to aggregate results on an annual basis, and often must rely on examples, rather than consolidated portfolio level results.



Conclusion 8. Transformational change: Many interventions show ambition towards, and emerging signals of transformational change. However, pathways to transformation are poorly described (particularly around development policy investments and the private sector) and could be better monitored over time.

A proportion of climate finance portfolio interventions are expected to lead to transformational change outcomes. These are primarily focussed on engagements addressing fundamental systems change (e.g. addressing the policy, regulatory environment, behavioural change). There is more limited evidence of scaling (e.g. interventions targeting significant replication or tipping points across geography, social systems). These are more challenging given the small scale or transaction-oriented nature of some interventions but are typically common within multilateral programming in the climate funds. Interventions are also expected to help accelerate the transition by removing key blockages to change.

There is some evidence of long-term outcomes and sustainability being designed into interventions. Most interventions demonstrated some level of planning for longer term outcomes (both climate and wider development). This was clearest in those interventions addressing capacity and policy/regulatory challenges, as well as those interventions seeking to improve the commerciality of intervention development or the strength of long-term financing mechanisms. However, given the extended timescales of intervention development and implementation and the lack of post intervention monitoring, it is difficult to draw conclusions as to the robustness of longer-term outcomes with regards to market catalysing impacts and transformation. More broadly, interventions are generally well aligned with longer term national objectives or aspirations around social, economic, and environmental development and therefore reinforce the paradigm of sustainable development.

The DPI portfolio has strong potential for scaling private sector solutions and private capital mobilisation – reporting on market catalysing impacts has yet to materialise. Working with the MDBs offered great potential for scaling private sector solutions and private capital mobilisation through the MDBs work to create markets through policy reforms and institutional development. Due to the nature of the finance available, Finnish support has been primarily transaction-focussed through MDB Trust Funds, with only limited enabling policy environment support. They have also been mostly oriented towards mitigation where commercial returns are more readily available. While there were good examples of private sector mobilisation also in difficult markets, overall the reporting by the MDBs on market catalysing impacts and private sector mobilisation was found wanting and only partially reflecting the ambition level set out in the blended finance principles agreed by DFIs broadly and in the context of OECD DAC cooperation. The MFA in its cooperation with the MDBs, initially focussed on commerciality, recognizing risk constraints, the trade-offs between development/LDC focus and returns, and the need to build pipeline – although this changed over recent years with increasing attention to development outcomes and impact.

Conclusion 9: MFA staffing and capacity constraints: MFA and partners have shown strong portfolio oversight and management, adapting flexibly to challenges like COVID-19. However, ongoing MFA staffing and capacity constraints, alongside other MFA operational demands, reduce the organisation's ability to engage on important areas such as strategy formulation, project origination, reporting and results, Paris Alignment and multi-lateral influencing.

A review of the portfolio indicates that interventions has been delivered broadly in an efficient way, but with some evidence (approximately half of interventions reviewed), reporting some level of delay and/or restructuring. COVID-19 has played a significant role since 2020 in delaying intervention



outputs and outcomes. The use of no-cost extensions within the portfolio nonetheless indicates a level of flexibility and adaptive management by MFA. Multilateral partners report a similarly flexible approach to shocks such as COVID-19. Intermediated transaction-oriented finance (e.g. through MDBs and DFIs) also has significant timescales associated with fund development and intervention origination which can be well justified from the point of view of scaling. Within MFA, there remain staffing and capacity constraints, reflecting significant reductions in headcount over the period 2015-19. While some additional resource was provided over the period 2019-2023, there have been further cuts to MFA staffing in 2023. This creates constraints around addressing areas of weakness identified in this report, such as strategy formulation, project origination, reporting and results, Paris Alignment and multi-lateral influencing.



7 Recommendations

This section sets out recommendations to the MFA for the strengthening of the climate finance offer. There are opportunities to improve Finland's approach to climate finance to make it more strategic, transparent, and accountable as currently there are only limited governing frameworks by which it can be judged. A higher level of thematic prioritisation and guidance across instruments (including the potential for integrated allocation strategies) might be possible. Improving mainstreaming across the portfolio by integration climate and development considerations firmly to respond to the climate impact on developing countries. Greater focus on target setting, measurement, and monitoring would support improved impact and communication, but expectations need to be framed within available resources, recognising the constraints of working within the multilateral system. Improvements are likely to be incremental and need to be framed and balanced within realistic resource constraints, as well as align with political processes.

7.1 Considerations for Finland's climate finance

Trends within the international architecture and among peer donors provide lessons to be considered regarding future trajectory for Finnish climate finance. Climate finance is a rapidly evolving space, and Finland will need to ensure that it has strong policy positions and funding approaches to emerging priorities and intersectionality with other environmental, social, and economic development trends. Potential considerations include:

- a) **Delivering on the Paris agreement and Paris Alignment.** The need to build on existing CCO guidelines to deliver a step change in the efforts to integrate climate risks and opportunities into economic development analysis, development planning and development cooperation through Paris Alignment to ensure economies move along a development trajectory that strengthens resilience and ensure low-carbon growth.
- b) **The imperative to maintain a focus on adaptation finance:** Ensuring that flows to adaptation remain balanced in the light of reduced grant funding and increased use of private sector instruments which are potentially less suited to resilience objectives.
- c) **The urgency in supporting a clear position on loss and damage:** This should involve agreeing an approach, including whether climate funds should be dedicated to disaster response and compensation, potentially reducing resources for pre-emptive adaptation.
- d) **The importance of influencing IFIs and enhancing MDB architecture:** Finland should maintain and enhance its capacity to engage with and raise the ambition of its partner IFIs, both through its shareholder positions and in programme funding, working alongside other donors.
- e) **The challenge of developing a more integrated approach to climate and nature/ biodiversity:** Finland might consider how it will address climate and biodiversity in an integrated way to avoiding siloing responses in both funding and instruments.
- f) **The ability to build around areas of national strength and competitive advantage:** Finland might adopt a more structured approach across instruments and build positions around areas of national strengths (institutional, thematic, public vs private sector).



- g) **The benefits of building capacity and leverage a whole of government approach to delivery:** Opportunities and technical expertise offered by other ministries and government agencies in the design and delivery of the climate finance portfolio.

7.2 Key recommendations

Recommendation 1. Develop overall strategy for Climate Finance: Create a clearer and more integrated strategy for climate finance. This should clearly state the goals considering the resources available, prioritise funding based on clear objectives, and understand the linkages between policy goals and different MFA instruments.

This recommendation draws from Conclusion 1.

MFA should be clearer around its priorities beyond the simple balance between mitigation and adaptation and focus on lower income countries. This would include more detailed benchmarks and indicators in terms of Finland's expected contribution (both in terms of mitigation, adaptation, a clear theory of change and narrative around longer-term transformative ambition should be set out including for market creation. The strategy should also be clear around which thematic areas, instruments are being prioritised/deprioritised as a result. The resourcing envelope (in terms of both staff, programme funds and timescales) should be commensurate with the scale of the ambition level of the strategy.

It is not the role of the evaluation to set strategic priorities, but to give examples of potential choices, together with their benefits, trade-offs, and capacity requirements: Four different scenarios that could be considered include:

- a) **Scenario 1: Multilateral focus:** Recognising its resource constraints and commitment to the international climate finance architecture, MFA prioritises generalist contributions to large multilateral and DFI efforts that offer scale and support the international architecture to deliver the Paris Agreement and enhance international climate diplomacy to ensure influence.
- b) **Scenario 2: Thematic specialisation:** Identify and build niche positions in 2-3 core areas of sub-thematic focus where Finland has or can build a differentiated position and comparative advantage.
- c) **Scenario 3: Finnish Interests:** Prioritise channels and instruments that provide opportunities for Finnish institutions and companies, leverage Finnish expertise, and encourage Finnish oversight over funding, building synergies with domestic policy.
- d) **Scenario 4: Country outcomes:** Orientate allocation towards priority countries, building integrated strategies across instruments and bringing together bilateral and multilateral climate support with wider diplomatic engagement and ensuring integrated climate and development approaches.



	APPROACH	BENEFITS	UNCERTAINTIES/TRADE-OFFS	MFA CAPACITY NEEDED
Multilateral focus	<ul style="list-style-type: none"> – Maximise funding through multilaterals (development policy financing or lending (DPL), multi-core, thematic, EU). – Focus on influencing, results aggregation and institutional engagement. 	<ul style="list-style-type: none"> – Provides scale and transformation potential. – Minimises internal resource needs. – Fewer, larger interventions. – Enhances Finnish global presence. 	<ul style="list-style-type: none"> – Limited contact with end beneficiaries/ countries. – Limited evidence of reach in reporting. – Challenges in contribution/ attribution. – Limited opportunities for domestic interests. 	<ul style="list-style-type: none"> – Enhanced influencing focus and climate capacity to promote influence.
Thematic specialisation	<ul style="list-style-type: none"> – Prioritise 2-3 thematic areas/ approaches where Finland can build reputation. – Align instruments/ processes towards chosen outcomes. – Examples: Meteorological services, circular economy, climate-gender nexus, forestry, water, National Resource Management. 	<ul style="list-style-type: none"> – Better visibility, stronger narratives, greater focus. – Aligns with resourcing realities, 'more of less'. 	<ul style="list-style-type: none"> – Loss of breadth, some winners and losers. – Challenges in aligning with multilaterals. 	<ul style="list-style-type: none"> – Depth of expertise in given thematic area, partnerships. – Process reengineering for resource allocation, cross instrument working, networks.
Finnish Interests	<ul style="list-style-type: none"> – Maximise financing flows through Finnish intermediaries. – Focus on CSO, partnerships (research, ICI), Private sector instruments, Finnfund (e.g. domicile), tied bilateral. – More directive climate mainstreaming approach/dedicated funds. 	<ul style="list-style-type: none"> – Align with political agenda. – Acceptance with wider Finnish society, clearer comms. 	<ul style="list-style-type: none"> – Reduced engagement with multilateral agenda, international positioning. – Not outcome-driven, vested interests capture, non-aligned vs. localisation agenda. – Dependent on real Finnish interest and capacities, value-added (uncertain). 	<ul style="list-style-type: none"> – Improved cross-institutional working – e.g. Business Finland, trade agenda. – Strong climate capacity to vet interventions and ensure climate impact. – Stronger focus on story telling across multiple instruments.
Country Outcomes	<ul style="list-style-type: none"> – Prioritise partner country outcomes and focus on NDC delivery. – Follow through on ambition or integrate climate and development at the country level. – Anchor instruments around country programme (with integrated climate/development). – Public and private engagement, seeking synergies between institutions, instruments, multilateral. 	<ul style="list-style-type: none"> – Strong relationships with key partner countries, whole of Finland approach. – More multi-dimensional than single partner channel. – Integrate bi-multi funding, support wider diplomacy and influencing. – Clearer outcome/ impact narratives. 	<ul style="list-style-type: none"> – Concentration risk in small number of countries. – Resourcing requirements for intervention development, and oversight. – Influencing multilateral partnerships in country. – Difficulties in achieving scale in particular if the instrument-based approach is continued. 	<ul style="list-style-type: none"> – Build climate capacity centrally and in network (embassy staff). – Energise bilateral funding.



This recommendation is addressed to: Management of the Department for Development Policy, Unit for Development Finance and Private Sector Cooperation and relevant advisers at the Department for Development Policy, Regional Departments

Irrespective of the priorities in the strategy process under Recommendation 1, there are additional recommendations which both inform this strategy process (Recommendations 2 and 3) as well as more operational recommendations (Recommendations 4-7) which will be useful under any strategy scenario (although their scale and direction may be influenced).

Recommendation 2. Improve approach to Paris Alignment: Offer clear guidance on integrating climate considerations across all MFA finance instruments, ensuring they align with the Paris Agreement. This guidance should be integrated into the overall climate finance strategy and align with the MFA approach to climate finance reporting.

This recommendation draws from Conclusion 3.

Given the trend towards Paris Alignment and mainstreaming, Finland should strengthen its own approach across the portfolio towards mainstreaming, moving from a do-no-harm approach towards a consistent and robust approach to aligning all development spend with Net Zero and Climate Resilient outcomes as set out in the UNFCCC process. This would recognise the international trend towards fully mainstreamed climate change funding across the development portfolio (beyond specific contributions to dedicated climate funds).

A significant proportion of Finland's dedicated climate finance (e.g. to climate funds or climate specific instruments) is already aligned. Finland should nonetheless monitor the progress of its funding partners and intermediaries towards Paris Alignment (e.g. under the MDB Joint Paris Alignment Approach).

There is, however, much more than could be done to ensure that the wider Finnish development portfolio supports climate outcomes (particularly in terms of domestic and bilateral instruments). Best practices in terms of how donors and IFIs approach Paris Alignment are under development, and Finland should engage with other donors and Finnfund to assess the most suitable approach. Typical elements might include:

- Setting increasing targets for climate finance as a share of overall development spending (e.g. through more proactive mainstreaming) and supporting increases in absolute terms over time.
- Developing climate action plans for country programmes that link wider development programming to Nationally Determined Contributions and sectoral strategies (mitigation and adaptation.) though integrated up-stream development and climate analyses or rely on multilaterals providing such analyses.
- Maximising opportunities within non-climate specific development programming and investments to provide mitigation and adaptation co-benefits through better mainstreaming guidance.
- Increased use of climate risk screening to ensure that wider development funding and investments are resilient to changing climatic conditions and do no harm from a maladaptation perspective.



- Screening the development portfolio for support for low-carbon investment and sectoral support and diverting funding away from interventions that may result lock-in of the use of fossil fuel.
- Strengthen the reporting around Paris Alignment activities, including much clearer articulation of approaches and results under the climate finance portfolio (see Recommendation 8).
- Review the added benefits of detailed Rio-marker finance calculations, including whether the MFA process creates a disincentive to actual climate mainstreaming for interventions where climate represents a small share.

This recommendation is addressed to: All MFA, Department for Development Policy, Unit for Development Finance and Private Sector Cooperation and Embassies

Recommendation 3: Strengthen linkages with Finnish institutions and interests: Undertake further consultation with Finnish partners and build clusters around areas of Finnish comparative advantage and interest. Identify funding channels to enhance engagement (particularly with the private sector) and integrate into overall climate finance strategy.

This recommendation draws from Conclusion 4.

Given the current lack of clarity around Finnish strengths and capabilities relating to climate change, and the ongoing focus in the current government programme to exploit domestic capabilities, MFA should develop a more robust understanding of what Finland can offer the international climate finance community in terms of sectoral expertise, know-how and networks. The discussion on capabilities remains somewhat narrow (e.g. around met services, forestry).

The current government programme seeks to ensure the wider participation of and opportunities for Finland's institutions (government agencies, research, CSO, private sector) in the delivery of Finland's climate finance portfolio. This assumes that all actors are interested and able to participate in the types of instruments and funding channels on offer. However, this is not always the case (particularly with private sector participation). The increasing use of multilateral programming also creates barriers to entry for all Finnish institutions without significant influencing effort on behalf of the MFA and partners.

The MFA should undertake a systematic review of Finnish strengths and competencies, alongside the willingness and interest of different public, private and non-governmental institutions to participate in climate finance and the potential barriers to entry.

To strengthen this area, the following steps are recommended:

- Undertake systematic review of potential areas of Finnish capabilities, including areas currently under exploited in the portfolio (e.g. circular economy).
- Undertake rapid review on domestic capacity for forestry given decline in portfolio over recent years, with a view to taking a decision on realistic scale and pathways for exploitation.
- Explore intersect between climate finance and development policy (gender, human rights, disability, climate justice) as a potential area of competitive advantage.



- Maintain and build support for existing sectoral success stories (e.g. met services, DRR) with a view to expanding programmatic funding and participation in international initiatives.
- Assess the usefulness of existing instruments to support Finnish institutions and companies in delivering climate impact (with a strong but not exclusive emphasis on private sector participation).
- Continue to strengthen the opportunities for Finnish participation in DPI climate interventions, particularly through Finnfund and dedicated MDB instruments where Finland is the major funder.
- Consider additional ways of engaging the Finnish private sector in climate finance and solution by undertaking a review of peer countries specifically focussing on private sector engagement and include countries that have extensive experience in this area.
- Build instrument approaches around core sectoral or thematic priorities once areas of Finnish strength are identified (see Recommendation 2).

This recommendation is addressed to: Management of the Department for Development Policy, Unit for Development Finance and Private Sector Cooperation and relevant advisers at the Department for Development Policy and Regional Departments.

Recommendation 4: Structure instruments around priority themes or geographies: Explore opportunities to integrate and align funding instruments towards specific thematic or regional priorities, including creating common funding windows, and promoting partnerships between different types of organisation (research, CSO, private sector).

This recommendation draws from Conclusion 1 (Strategy):

Finland should move towards a greater level of integration between instruments to address key priorities within the emerging strategy. If the instrument structure remains the basis for funding allocation, calls might be made across instruments to support a given topic or country. Encouragement should be given to promote cross working or integrated bidding by consortia of different stakeholders (CSO, research, institutional private sector) to deliver on a strategic outcome. There are also opportunities to better align climate diplomacy and climate finance (e.g. by allocating small scale programmatic funds to identify and catalyse initiatives under the ministerial efforts on adaptation and climate finance). Specific recommendations include:

- Select areas for strategic calls that reflects Finnish comparative advantages and expertise and hold thematic calls for interventions that cuts across instruments and encouraging consortia of different types of institutions (private, CSO, research).
- Improve alignment in terms of timing and procedures (application, reporting) for different instruments to encourage cross-instrument engagement where this is not integrated.
- Enhance visibility of sectoral and geographic activity under the climate finance portfolio to allow intermediaries to identify potential synergies and partnerships in programming.
- Enhance guidelines across different instruments to promote partnerships (e.g. public-private) and synergies (aligned funding, phasing of activities) for delivery of climate outcomes.



- Allocate funding to support programmatic innovation under key Finnish supported climate diplomacy efforts (e.g. Coalition of Finance Ministers for Climate Action, Champions Group on Adaptation Finance).

This recommendation is addressed to: Management of the Department for Development Policy, Unit for Development Finance and Private Sector Cooperation and relevant advisers at the Department for Development Policy and Regional Departments.

Recommendation 5. Enhance multi-lateral influencing: Strengthen MFA capacity to influence and improve climate operations of bilateral and multilateral partners through clearer guidance and resourcing. Influencing should focus on improving Paris Alignment, raising ambition on development impact (climate resilience, lower income), strengthening additionality and private capital mobilisation, leveraging Finnish expertise and enhancing transparency of results and reporting. Incorporate this into any climate finance strategy.

This recommendation draws from Conclusions 5, 6 and 8:

Given its ongoing reliance on multilateral channels including the Development Policy investments, Finland should continue to strengthen its institutional engagement to ensure that partners demonstrate an increased level of ambition and additionality, improve the transparency of reporting, and use public finance to maximise outcomes (e.g. through mobilisation of private capital and market creation). Finland should integrate this with ongoing shareholder efforts to reform and strengthen the activities of MDBs in relation to climate action. Efforts can also be extended at the bilateral level to use a range of instruments to support ambition and acceleration in climate action at the country level. In particular, the MFA should:

- Ensure that there are clear climate influencing plans for all major contributions to international climate funds and MDBs, including on climate results reporting, innovation ambition, and scale.
- Track intermediary partner processes for Paris Alignment and ensure that these are robust and offer best practice, learning lessons for Finland's own approach (see Recommendation 3).
- Ensure that MFA staff with responsibility for institutional or fund relationships and oversight have sufficient time and capacity to engage (including review of documentation, attendance of meetings) and they cooperate closely with other MFA departments to strengthen synergies and oversight.
- Promote better reporting based on MFA impact narratives, core indicators, and considering Finland's attributable share (see Recommendation 8).

This recommendation is addressed to: Management of the Department for Development Policy, and Unit for Development Finance and Private Sector Cooperation.

Recommendation 6. Strengthen MFA focus on climate narrative and results: Put a greater focus on narratives and results, including providing the necessary resources for analysis and integration of reporting around strategic themes across instruments. Review opportunities for external support from Finnish research community. Include a plan and guidance on reporting on impact in any climate finance strategy.



This recommendation draws from Conclusions 7 and 8:

The inability of MFA to either articulate its strategy or report on results creates significant barriers to both political and public acceptance of Finland's climate finance contributions, making them more difficult to defend. It cannot and should not rely on in depth evaluative approaches to be able to construct strategy or provide an assessment of progress against it. Finland should therefore place much greater emphasis on structured approaches to reporting against the strategy, the choice and consistency of indicator application, and ways of framing impact and transformational change. This should include a more structured approach to capturing results through multilateral institutions which constitute an increasingly greater share of the portfolio. A more methodological approach would have the benefit of avoiding the labour-intensive processes currently experienced in having to pull together results on an annual basis for reporting purposes. In particular, the MFA should:

- Create more structure approach to capturing and consolidating results from multilateral reporting, addressing issues such as attribution, methodologies, and timescales.
- Include in the strategy a *core set of indicators, building upon PP4/5* that the MFA will focus on supporting a greater level of methodological consistency and aggregation over time, working with partners and intermediaries. Indicators could include GHG emissions, clean energy capacity (MW), generation or energy saving (Megawatt hour, MWh), number of beneficiaries benefiting from improved resilience, no of ha of land or forestry under sustainable management and public and private finance mobilised. and market creating impacts.
- Strengthen results reporting around priority themes within the portfolio, pulling together results from across instruments and bilateral, multilateral programmes for clearer development impact narratives, ensuring that there are dedicated resources and knowledge management support to do this (see Recommendation 3).

This recommendation is addressed to: Unit for Development Finance and Private Sector Cooperation and relevant advisers at the Department for Development Policy and Regional Departments.

Recommendation 7. Align resources with strategy: Ensure that MFA capacity aligns with strategic goals, ensuring sufficient resources for key operational objectives (Paris Alignment and mainstreaming, multi-lateral influencing, results synthesis and reporting). Include a plan and guidance on resourcing, including possible outsourcing, in any climate finance strategy.

This recommendation draws primarily from Conclusion 9, but also from Conclusions 1, 3, 5, 6 and 7:

Based on changes in the scale or profile of funding, or in the strategic direction of the portfolio, MFA should ensure that there is sufficient internal MFA human resource and climate capacity (or equivalent contracted) to ensure efficient and effective design, delivery, and oversight. While there is unlikely to be additional human resource in the short-medium term, irrespective of strategy, there is a strong need to improve internal resourcing for Paris alignment and mainstreaming processes, including the collation and synthesis of results across the climate finance portfolio.

Efforts should also be put in to ensuring that available staff time is dedicated to productive use (i.e. intervention origination, multilateral influencing and engagement, innovation, insights, and knowledge generation), particularly given the high level of multilateral funding channels.



Specific recommendations include:

- Allocate additional staff time to ensure strong Paris Alignment and climate mainstreaming (particularly for guidance development, capacity building) across the full range of instruments.
- Ensure at least 1FTE to support indicator development and inclusion in results frameworks, results collation and presentation, as well Rio-marker finance reporting, in addition to existing staffing and support from the statistics team.
- Explore opportunities for external support (from Finland's research and academic community) to assist with results collection, collation and interpretation or areas of instrument innovation.
- Ensure staff time is focussed on value-added activities (origination, influencing, insights), rather than MFA processes.

In addition, in order to meet the increasing political expectations to link Finnish companies more closely to climate finance and ODA more broadly, the government will need to support a clear strategy with suitable allocation of human resources and flexible financial technical assistance support for implementation.

This recommendation is addressed to: MFA's leadership.



8 References

Building Bridges. (2023). About us.

Climate Funds Update. (2023). Global Climate Finance Architecture.

European Bank for Reconstruction and Development (EBRD). EBRD activities and Paris alignment.

Finnfund.

Government of Canada. (2022). Report on the Horizontal evaluation of the International Climate Change Cooperation.

Government of Finland. (2008). Government Decree on the Ministry for Foreign Affairs. 550/2008.

Government of Finland. (2019). Programme of Prime Minister Sanna Marin's Government 10 December 2019. Inclusive and competent Finland – a socially, economically and ecologically sustainable society.

Government of Finland. (2023). Programme of Prime Minister Petteri Orpo's Government. 20 June 2023. A strong and committed Finland.

International Finance Corporation (IFC) and International Energy Agency (IEA). (2023). Scaling up Private Finance for Clean Energy in Emerging and Developing Economies

Finnfund. (2022). Annual Report 2022. https://www.finnfund.fi/wp-content/uploads/2023/05/Finnfund_Annual-Report-2022-1.pdf Interview with Finnfund

Green Climate Fund (2023). Second Performance Review (SPR) of the Green Climate Fund (SPR 2023). <https://ieue.greenclimate.fund/evaluation/SPR2022>

IFAD, Independent Office of Evaluation (IOE). (2023a). Thematic Evaluation of IFAD's Support for Smallholder Farmers' Adaptation to Climate Change. IFAD. https://ioe.ifad.org/en/w/thematic-evaluation-of-ifad-s-support-for-smallholder-farmers-adaptation-to-climate-change?p_l_back_url=%2Fen%2Flatest-reports

IFAD, Independent Office of Evaluation (IOE). (2023b). Targeting in IFAD-supported projects. Evaluation Synthesis Note. Report No. 6484. IFAD. https://ioe.ifad.org/en/w/evaluation-synthesis-note-targeting-in-ifad-supported-projects?p_l_back_url=%2Fen%2Flatest-reports

Intergovernmental Panel on Climate Change (IPCC). (2023). AR6 Synthesis Report. Headline Statements.

MFA. (2012). Development Policy Programme 2012. Government Decision-in-Principle. MFA.



MFA. (2016). Government Report on Development Policy: One World, Common Future – Toward Sustainable Development. MFA.

MFA. (2018a) Evaluability Assessment of Finland's International Climate Financing. MFA.

MFA. (2018b). Finland's Development Policy Results Report 2018 (1 November 2018 to Parliament). MFA.

MFA. (2019). Development policy investment plan 2020-2023. (7 November 2019).

MFA. (2020a). Theories of Change and Aggregate Indicators for Finland's Development Policy 2020 (01.03.2020). Helsinki: MFA. UPDATED VERSION NOVEMBER 2022: MFA. (2022). Theories of Change and Aggregate Indicators for Finland's Development Policy (November 2022). Helsinki: MFA.

MFA. (2020b). Evaluation Finnish Development Policy Influencing Activities in Multilateral Organisations. MFA.

MFA. (2021a). Finland's Action Plan for Climate Smart Foreign Policy. Internal document, updated version, 4 March 2021.

MFA. (2021b). Guideline for the Cross-Cutting Objectives in the Finnish Development Policy and Cooperation. (Updated version: 2021, April 19).

MFA. (2021c). Era of New Cooperation – The Contribution of the Ministry for Foreign Affairs of Finland to Strengthen Multilateral Cooperation. (20 August 2021).

MFA. (2021d). Guidance for Rio Markers in AHA-KYT (Ohje: DAC-tavoitteet ja Rio-markkereiden käyttö – ilmasto- ja ympäristörahoituksen raportointi AHA-KYT:ssä). Internal guidance in Finnish (1.11.2021).

MFA. (2021e). Report on Development Policy Extending Across Parliamentary Terms. MFA.

MFA. (2021f). Synthesis and Annual Report on Finnish Development Financial Investments 2020 (9.11.2021, non-public version and Annex 1).

MFA. (2021g). Evaluation of the Transition Process of Finnish-Vietnamese Cooperation in 2008–2020. MFA.

MFA. (2021h). Evaluation of Country Strategy Approach in Fragile Contexts. MFA.

MFA (2021i). OpenAid Kehitysyhteistyön tietopankki.

MFA. (2022a). Annual Report on Finnish Development Financial Investments 2020 (11.02.2022, in Finnish).

MFA. (2022b). Action Plan for Finland's International Climate Finance (21.03.2022, in Finnish).

MFA. (2022c). Finland's Development Policy Results Report 2022 (9.11.2022 to Parliament).



MFA. (2022d) Evaluation of the Development Policy Influencing in the European Union.

MFA. (2022e). Metaevaluation of project and programme evaluations in 2017-2020.

MFA. (2023a). Annual Report on Finnish Development Financial Investments 2021 (16.1.2023, in Finnish).

MFA. (2023b). Multilateral cooperation.

MFA (n.d.). Suomen kehitysyhteistyön määrärahat ja maksatukset 1989-2022.

Ministry of Finance. (2019). Coalition of Finance Ministers for Climate Action.

Ministry of Social Affairs and Health. (2021). Making Finland a Global Leader in Gender Equality. Government Action Plan for Gender Equality 2020-2023. Publications of the Ministry of Social Affairs and Health. 2021:10.

OECD (2017). OECD Development Cooperation Peer Reviews: Finland.

OECD. (2021). Climate Change: OECD DAC External Development Finance Statistics.

OECD. (2021). Finland Mid-term Review. OECD. (2023). Private Finance Mobilised by Official Development Finance Interventions.

Schweizerische Eidgenossenschaft. (2022). Sustainable finance in Switzerland. Areas for action for a leading sustainable financial centre, 2022–2025. Federal Council Report.

United Nations Climate Change. (2023). Synthesis Report of the First Global Stocktake.

World Bank. (2023). The World Bank Group and Paris Alignment.

In addition, available intervention related documentation for all interventions (e.g. project proposals, progress reports) identified under the Finnish climate finance portfolio were consulted.



Annex 1: The Evaluation Team

Matthew Savage (Team Leader) is an international development economist with more than 20 years in the design, appraisal, and evaluation of international climate finance programming. He has led numerous high-profile evaluations, including most recently the Second Performance Review of the Green Climate Fund, the Transformational Change Evaluation of the Climate Investment Funds (alongside a separate evaluation of SREP), World Bank ESMAP and other bilateral climate and energy funds. He delivered the portfolio evaluation of the Danish Climate Finance Program and has completed numerous evaluations for other bilateral donors (UK Government, USAID). He has in-depth knowledge of energy and climate programming and diplomacy. He was recently lead on energy transition effectiveness at COP26 for the UK Government Cabinet Office supporting the clean energy campaign. He previously worked for the International Finance Corporation and holds higher degrees from the Netherlands Business School and the University of Oxford.

Susan Ulbæk (Senior Evaluator) has more than 30 years of experience with development – having been engaged in developing and delivering development assistance as an employee of the Danish Ministry of Foreign Affairs and the World Bank. She held positions as Head of Department Asia and Latin America; Under-secretary Multilateral Affairs; Under-secretary Africa, Americas, Asia, and Middle East; Head of Evaluation and Research. In the World Bank she held positions as Economist and Executive Director. She holds a Master of Sc. (Economics). In 2019, she joined the consultancy company PEM as a Partner. In this capacity, she has been a team-leader and team member of several complex evaluations including related to climate and environment drawing on her broad experience in international cooperation, evaluation, and development economics.

Jaana Vormisto (Senior Evaluator) has over 25 years' experience of environmental sustainability and its linkages to socio-economic development. She has a PhD in biodiversity research. Since 2005 her work related to sustainable development has also included different aspects of human rights. She has created a comprehensive experience on conservation and sustainable use of biodiversity, climate change, environmental governance, sustainable livelihoods, children's rights, gender equality, social inclusion, as well as on human rights-based approaches and their integration into development processes in different local contexts. Ms Vormisto has a solid expertise and experience in policy and strategy work, in designing, managing, monitoring, and evaluating results-based projects/programmes, and in conducting studies and facilitating different planning processes. She has worked with public sector, companies, and NGOs, and has strong experience in different operating contexts in developing countries, especially in South Asia, Latin America, and East Africa.

Saila Toikka (Evaluator) is a monitoring and evaluation specialist with 10 years of experience in international development at the project, country and head office levels. Her past roles include evaluation management at the UNEP Evaluation Office as well as monitoring and evaluation specialist roles with UNDP and the CSO sector. Recently, she has also participated as evaluation team member in evaluations concerning diverse dimension of Finland's development policy and cooperation. Holding a Master's Degree in Public Administration, she has also studied International Development and completed numerous professional training courses in evaluation practice and methods.



Roosa Tuomaala (Emerging Evaluator) has eight years of experience in consulting, project management and research, and a particular interest in monitoring and evaluation. For the past two years, she has worked as an emerging evaluator and evaluation project manager in the Evaluation Management Services framework agreement with the Ministry for Foreign Affairs of Finland. Her recent evaluation assignments include the evaluation of Human Rights-based Approach in Finland's Development Policy and Cooperation, the ex-post and final evaluations of two Finnish bilateral WASH and livelihood programmes in Nepal and the Mid-term Evaluation of Finland's development cooperation in Eastern Europe and Central Asia, including 14 green economy and democracy support programmes. Besides monitoring and evaluation, Roosa is specialised in private sector development and fund management and has worked in MFA Finland's regional innovation support programme in Southern Africa.

Anu Nieminen (Research Assistant) is an evaluation practitioner with an extensive experience in project management and evaluations within the realm of international development cooperation. She holds a Master's degree in Development Management and has worked on strategic and project level evaluations with organisations such as the EU, NGOs like the Foundation for Environmental Education, and government agencies including the Ministry for Foreign Affairs of Finland. Anu is skilled in evaluation methodologies, including Theory of Change and participatory approaches, as well as qualitative and quantitative data analysis and research methods. She has contributed to evaluations in various sectors such as environment, domestic resource mobilisation, education, and gender. Anu collaborates effectively with stakeholders and partners to deliver high-quality evaluations under tight deadlines, using evaluation as a tool for learning, improvement, and accountability in development programs.



Annex 2: Terms of Reference

Terms of Reference
20th January 2023

Evaluation of Finland's International Climate Finance

1. Introduction and rationale

Climate change, loss of biodiversity, more frequent natural disasters, inequalities and over-indebtedness of developing countries hamper the achievement of sustainable development goals and increase instability. Coupled with environmental degradation and loss of biodiversity, climate change causes particularly substantial problems for developing countries and tests their resilience.

Climate change adaptation deals with the consequences of climate change by reducing vulnerability and exposure to the risks associated with climate change, weather variability and extreme climate events, such as floods, storms, droughts and heatwaves.

Mitigation of climate change entails reducing greenhouse gas (GHG) emissions into the atmosphere, since the increased concentration of these gases (notably CO₂) is causing steady increases in global average temperatures.

All countries, developed and developing alike, increasingly recognise the need to transition to low emission and climate resilient economic trajectories. At the 15th Conference of Parties (COP15) of the United Nations Framework Convention on Climate Change (UNFCCC) in Copenhagen in 2009, developed countries committed to a collective goal of mobilizing USD 100 billion per year by 2020 for climate action in developing countries, in the context of meaningful mitigation actions and transparency on implementation. The goal was formalised at COP16 in Cancun, and at COP21 in Paris, it was reiterated and extended to 2025. Climate finance is used to help developing countries mitigate and adapt to climate change.

Finland is a party to international conventions and thereby committed to support developing countries' climate action. Finland's international climate finance is guided by development policy. Climate change adaptation and mitigation and climate resilience have become more prominent in the development policy since 2012. In the Report on Development Policy Across Parliamentary Terms (2021) climate change, together with biodiversity and natural resources management form the fifth priority area. Climate resilience and low emission development as well as protection of the environment, with an emphasis on safeguarding biodiversity are among the cross-cutting objectives. The Ministry for Foreign Affairs (MFA) developed an Action Plan for Finland's Public International Climate Finance for the first time in March 2022. As a cross-cutting objective climate change has been included in several centralised evaluations but Finland's international climate finance on its own right has not been evaluated before.



The evaluation results will be used by the relevant departments and units for longer-term planning and coordination of Finland's international climate finance as a whole and thereby in further strengthening the effectiveness and impact of climate finance. The evaluation will also provide information for the preparation of the 2023 UN Climate Change Conference (UNFCCC COP 28).

2. Purpose, objectives and evaluation questions

2.1 Purpose

The ultimate purpose of the forward-looking evaluation is two-fold. Firstly, it will inform the MFA on the effectiveness, coherence and relevance of climate finance and what kind of results have been achieved with the various development policy and cooperation instruments over the period 2016-22. Secondly, the evaluation provides information and supports the implementation and further development of the Action Plan for Finland's Public International Climate Finance to maximise the effectiveness and impact of Finland's climate finance, especially regarding long-term planning and coordination of climate finance as a whole.

2.2 Objectives

The specific objectives of the evaluation are

- To assess the results of Finland's international climate finance and policy influencing in directing finance, with due consideration of the opportunities and barriers at both national and global levels
- To assess the relevance and coherence of Finland's international climate finance
- To assess the functioning of partnerships and co-operation in climate change mitigation and adaptation and whether the current balance of partnerships of Finnish influencing is optimal
- To study relevant peer countries' experiences in order to learn best practices
- To provide well-justified and evidence-based recommendations on how the MFA together with relevant stakeholders could further improve their actions for a more effective, coherent and relevant response to developing countries' climate finance needs and for funding priorities through the different cooperation instruments.

The evaluation will take into account that the Action Plan for climate finance was quite recently formulated and that some interventions are at relatively early stage (evaluability challenges) as well as the decentralised nature of climate programming within the MFA. Analysis will also build upon earlier work (e.g. performance audit of NAOF's international climate finance and Development Policy Committee (DPC) analysis of climate finance) and take into account the earlier recommendations from previous analysis and how they have been implemented. The evaluation will ensure that recommendations are feasible and realistic from the perspective of MFA resourcing and staffing capacity.



2.3 Evaluation questions

The following are the three key questions to be addressed through the evaluation:

Strategic relevance and coherence

- EQ.1 To what extent is the Finnish international climate finance relevant to and coherent with global development and climate agendas and the priorities of those involved and affected?
 - What are the strategic drivers and implicit theory of change that guides Finland's climate finance strategic allocation and assessment processes?
 - To what extent have funded activities and institutional partnerships been in line with strategic objectives?
 - Are climate finance activities aligned with wider domestic and international priorities and what are the obligations or constraints under which Finland operates?
 - Are Finnish climate finance activities complementary to/aligned with other bilateral, multilateral donors and international financial institutions (IFIs)?
 - Which institutions or processes (domestic and international) influence the strategic direction, shape, and scale of Finland's climate finance and how?
 - Is Finnish climate finance reflective of broader Finnish priorities and capabilities and how does this differ by different types of institutional modalities and instruments?
 - What is the scale of Finland's climate finance and multilateral contributions relative to other like-minded donors and what are the associated human resources to deliver them?

Results (Efficiency, effectiveness, impact)

- EQ.2 To what extent has Finland's climate finance portfolio delivered results over the period 2016-22?
 - What have been the key achievements of Finland's climate portfolio during 2016-22?
 - To what extent do results reflect portfolio level ambition and objectives?
 - Are there results areas that appear stronger or less well developed and if so, why?
 - Are there examples of transformational change emerging from the portfolio?
 - How effective has Finland been in private finance mobilisation (capital instruments and broader leverage) and with what results?
 - How well and with what success has Finland mainstreamed development policy priorities (e.g. Policy Priority Areas, Human Rights Based Approach and Cross-Cutting Objectives)) into its climate finance portfolio?



- How effectively and in what way has Finland influenced multilateral partners who receive Finnish climate finance?
- What can be said about portfolio efficiency (commitment/disbursement/implementation) and how has this impacted upon delivery of results?
- How consistently are results measured and/or reported? What are the barriers to reporting?

Sustainability and forward look

- EQ.3 Over a five-year period, how can Finland ensure that its Climate Finance Action Plan evolves to remain relevant, credible, influential and impactful?
 - What can the MFA learn from its peer organisations as well as from emerging international 'best practices' and trends in climate finance delivery?
 - What are the options and potential use cases for portfolio evolution (e.g. instruments, partnerships, thematic focus, geographies)?
 - How can the portfolio maintain, strengthen and leverage Finland's competencies, expertise and value-add?
 - What are the benefits, synergies, and trade-offs associated with different development scenarios and types of instruments?
 - What size and structure of a portfolio would be realistic to offer a credible and sustainable response to developing countries' climate finance needs and meet Finland's institutional obligations and partner expectations?
 - How can MFA staff be best deployed to maximise impacts and influence across different types of interventions and partnerships?
 - These questions will be further refined during inception phase.

3. Scope

The main focus of this evaluation is to examine funded activities that are explicitly considered 'climate finance' by the MFA and which have the explicit purpose of addressing climate change. This may include activities classified as Finland's official development assistance (ODA), OOF, as well as MFA's policy influencing activities with its partners implementing climate finance. The full portfolio of climate finance will therefore constitute the basis for the evaluation. The evaluation will not however assess the broader mainstreaming approach, including programmes that may report on climate benefits (as per Rio Markers), but which are not considered climate finance by the MFA. The set of projects that fall within this boundary will be further refined in conjunction with the MFA during inception.

While it is not intended to conduct evaluations of the partner organisations, it will be important to assess the ways in which Finnish climate change adaptation and mitigation concerns and priorities are reflected in the initiatives funded through such partners.

Although adaptation and mitigation of climate change are also advanced through the work of other ministries than the MFA, this evaluation will only focus on the work by the latter, and specifically



from the development policy and cooperation point of view. However, it is acknowledged that development policy and cooperation are part and parcel of broader foreign and security policy of Finland. The evaluation will consider how the strategy, shape, and priorities of the climate finance portfolio are influenced by other actors (both government and non-government).

The evaluation will not assess how Finland acts on climate finance issues in international climate politics and climate diplomacy, for example in UNFCCC negotiations, but will consider potential linkages as and when these activities influence or reinforce international climate finance allocation or outcomes within the core climate finance portfolio.

The evaluation will include the following cooperation instruments/modalities that are currently intended to support climate finance outcomes:

- Multilateral support (core funding and specific support to e.g. GCF, Global Environment Facility (GEF), AfDB, IADB, as well as multi-bi projects)
- Private sector instruments (e.g. Developing Markets Platform (DevPlat) and Private Sector Investment Facility (PIF) and development policy investments (e.g. Finnfund, Finland–IFC Blended Finance for Climate Program, International Fund for Agricultural Development, High Impact Partnership on Climate Action (HIPCA) of EBRD)
- Support to civil society organisations (CSOs)
 - CSO support (programme and project-based instruments)
 - INGO support
- Bilateral support (including also regional cooperation)
- Institutional Cooperation Instrument (ICI)

The period under evaluation is 2016-2022.

The main users of the evaluation are different units and departments in the MFA managing climate finance and development policy investments. The secondary users include the Ministry of the Environment and the Development Policy Committee. Similarly, different partners, actors and stakeholders are likely to find the results useful.

4. Background

4.1 Global context

The key documents of international policy on climate change are United Nations Framework Convention on Climate Change (UNFCCC, 1992, entered into force in 1994), Kyoto Protocol (1997, entered into force in 2005) and Paris Agreement on Climate Change (2015, entered into force in 2016).

The Paris Climate Change Agreement was concluded in December 2015, and it concerns the time after 2020. The Paris Agreement is the first genuinely global and binding climate agreement that obliges all Parties to participate in reducing emissions. The objective of the Paris Agreement is to



keep the increase in the global average temperature well below 2°C relative to pre-industrial levels and pursue efforts to limit the temperature increase to below 1.5°C. Moreover, the Paris Agreement called for a better balance between mitigation financing and the financing for adaptation in the poorest and most vulnerable countries. Developed countries announced a mobilisation target of 100 billion USD to finance the transition to 'low emission, climate resilient economies.' The goal was formalised at COP16 in Cancun, and at COP21 in Paris, it was reiterated and extended to 2025.

As climate ambitions advance and the latest science emphasises urgency of climate actions, global climate finance has not increased in line with expectations. Public finance in particular, plays an important role in this regard, supporting capacity building, research, piloting and demonstrating new approaches and technologies as well as removing barriers and giving incentives to other climate finance flows. It is clear that public financing is not sufficient and climate actions require private investment in the transition to green growth.

International public and private climate finance flows are increasing yet remain deeply insufficient to address the scale of the challenge, with private flows only addressing more mature markets/sectors.³⁰ The recent OECD analysis revealed that in 2020 international climate finance to developing countries was USD 83.3 billion and increased by 4% from 2019 but still fell short of the USD 100 billion per year by 2025 goal. Public climate finance grew and continued to account for lion's share of the total (USD 68.3 billion). Private finance mobilised by public climate finance (USD 13.1 billion) decreased slightly compared to earlier years and export credits remained small (USD 1.9 billion). Mitigation finance still presented the majority (58%) and was focussed mainly on energy and transport sectors (46%). Adaptation finance grew but the increase was to a great extent result of a few large infrastructure projects. The analysis noted that in 2016–2020 climate finance provided and mobilised by developed countries largely focussed on mitigation in relatively high-emitting countries. The adaptation finance varied widely within and between country groups. Grants represented a much higher share of finance for adaptation. Increasing private climate finance has proved to be challenging and the ability of developed countries to mobilise private funding is influenced by many factors, e.g. policy and broader enabling environments in developing countries and general macroeconomic conditions. Adaptation continued to represent a small share of total mobilised private climate finance.³¹

4.2 Finland's international climate finance

Integration of climate change has been one of the cross-cutting objectives of Finland's development policy and development cooperation since 2012.

Finland supports developing countries' climate action as part of development policy and cooperation. Funding is directed to both climate change mitigation and adaptation. The target has been to scale up international climate finance and to direct half of the funding to mitigation and half to adaptation.

Climate finance is both grant- and loan-based and Finland uses a variety of channels to provide this support, including development policy investments, private sector, multilateral, bilateral and

30 GCF (2022). Summary report: an IEU deliverable contributing to the Second Performance Review of the Green Climate Fund

31 OECD (2022). Climate Finance Provided and Mobilised by Developed Countries in 2016-2020: Insights from Disaggregated Analysis, Climate Finance and the USD 100 Billion Goal. OECD Publishing. Paris. <https://doi.org/10.1787/286dae5d-en>

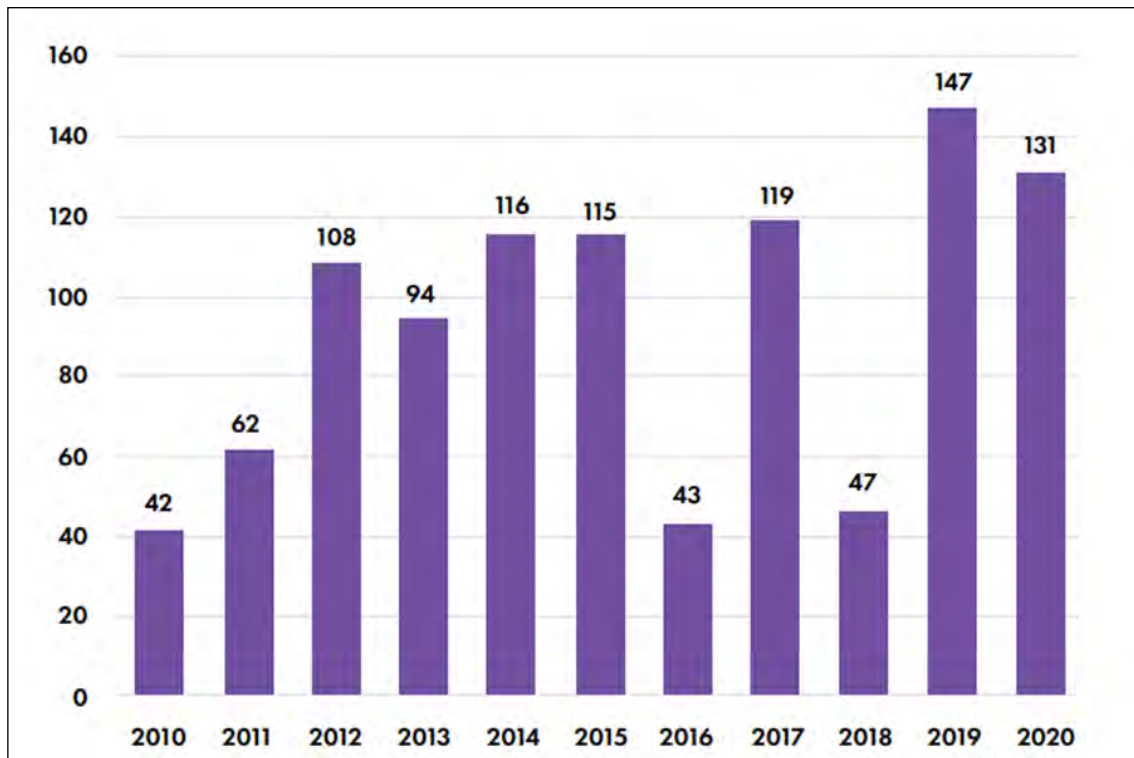


CSO cooperation and ICI. Finland uses investment-based and loan-based funding to effectively accelerate private sector investments in climate solutions.

The so-called Rio Markers developed for the OECD Development Assistance Committee's Creditor Reporting System (OECD DAC CRS) are used to track adaptation and mitigation-related finance based on the data provided in the CRS.

The trends in funding decisions for climate finance have varied across years due to funding cuts of development cooperation in 2016 and payment schedules of different interventions.

Picture 1. Finland's climate finance in 2010–2020³²



The **Development policy investment plan for 2020–2023** was prepared in 2019. The plan defines three objectives: 1) to allocate at least 75% of the funding to climate finance, 2) to allocate at least 60% of the funding to funding targets directed to Africa, and 3) to strengthen the gender perspective, the aim is to ensure that 85% of the funding includes objectives that promote gender equality.

The MFA finalised an **Action Plan for Public International Climate Finance** in 2022. In accordance with the Government Programme, Finland will increase climate finance channelled to developing countries. The plan sets that the climate finance will increase nearly twofold during this government term. Climate finance will peak in 2023; the funding is expected to rise to as much as EUR 249 million. After this, the funding is planned to continue at an annual level of approximately EUR 200 million until 2026. The climate finance will be channelled both in the form of grants and in the form of investments and loans. It is estimated that from 2022 onwards grant-based climate

³² DPC (2020). Finland's Climate Financing Needs a Clear Direction. Analysis by the Finnish Development Policy Committee.



finance flows will be equally split between adaptation and mitigation. The plan foresees Finnish businesses' participation in climate action as well as reform of the current fragmented range of funding instruments.

Finland has also played an active role in promoting climate adaptation. The **Champions Group on Adaptation Finance** was launched at the UN General Assembly in September 2021, and has 14 members including Australia, Belgium, Denmark, Finland, Germany, Iceland, Ireland, Italy, the Netherlands, New Zealand, Sweden and the United Kingdom as well as the African Development Bank and is supported by the European Commission. The Group is committed to work together to respond to growing climate change adaptation needs.

5. Approach and method

The MFA is looking to undertake an evaluation of how, and to what extent, development policy and cooperation instruments and institutional actors have contributed to Finland's efforts on climate change (both mitigation and adaptation) with a view to informing the country's Action Plan for Public International Climate Finance going forward.

The focus of this evaluation is strategic, with an aim to establish a holistic understanding of the developments and achievements. The focus will not that much be on individual interventions, rather the evaluation team will aggregate and consolidate results against broader areas of achievement and evaluation questions. Data and information from interventions will be used to inform this process.

The approach will be based on the following workstreams:

- Strategic coherence and portfolio review
- 4 case studies (2 thematic, institutional, country)
- Forward look and recommendations

These are set out in more detail below:

Strategic coherence and portfolio review

The evaluation will undertake a review of the overall strategy for Finnish climate finance and examine to what extent the Finnish climate finance is well guided (e.g. Government Programmes, budget, parliamentary decisions), and structured as well as coherent, and how well the portfolio reflects key priorities. It will also review results emerging from the portfolio to identify key areas of strength, challenges and examples of transformational impact.

Strategic Coherence:

- Theory of change: The evaluation will assess the Finnish strategy ex-post from a theory of change perspective to understand the balance of the portfolio and types of instruments against both stated and implicit objectives and pathways. This will be supported by a theory of change workshop early during implementation.



- **Strategic alignment:** The evaluation will review to what extent funded activities and institutional partnerships have represented a coherent approach, are aligned with domestic and international priorities, and are complementary to/aligned with other donors and IFIs. This will allow an assessment of to what extent the portfolio and institutional set up might have been able to deliver more than the sum of the parts as a result of its coherence and relevance. In particular, the evaluation will examine how different profiles of climate finance (bilateral/multilateral, public/private, obligatory/discretionary) differ in terms of alignment with Finnish priorities, including capacity to influence (see below).
- **Multilateral Influencing:** The evaluation will review to what extent Finnish climate development cooperation has been able to influence multilateral platforms (climate funds, MDBs in terms of shaping agendas (e.g. around equity, gender or thematic priorities), or around raising ambition and cooperation more generally. This will build on earlier work on the effectiveness of Finnish multilateralism.
- **Relative Scale:** Given the global commitments to multilateral finance, the evaluation will undertake a light touch peer review of the planning and scale of climate finance (relative to other like-minded donors) as well as an assessment of institutional capacity to deliver this. This will be done in part by desk review as well as through discussions with other donors as part of the forward look (see below).
- **Governance and influencing:** The evaluation will also include a review of governance and influencing to assess how priorities are set within the MFA for climate finance and which other government actors or strategies are also influential. This will include a light touch review of ministerial or other diplomatic efforts (in terms of external influence). It will also draw upon the institutional case study for a review of domestic influencing pathways (see below).

Results and portfolio review:

- **Portfolio classification:** The evaluation will undertake a desk review to identify and classify key parameters of projects and programmes including focus (geographic, thematic), modalities (technical assistance, grants, capital instruments), delivery channels (e.g. bilateral, multilateral) to allow a review of how well it reflects against strategic aims and objectives. This data will be presented graphically and assessed against the strategy to understand potential areas of over or under allocation.
- **Portfolio efficiency:** The evaluation will comment on the efficiency of the climate finance portfolio from a commitment, disbursement, and delivery perspective, including a consideration of how multilateral climate finance is delivered across different institutional (bilateral, multilateral) channels.
- **Results analysis:** The evaluation will collate and analyse key results and impacts (e.g. GHG mitigation, resilience, co-benefits) based on existing reporting and (project) evaluations, covering both mitigation and adaptation. It will also review reporting frameworks to understand consistency (e.g. around GHG or resilience metrics). Analysis will primarily be based on project reporting, evaluations and other desk reviews. It will be complemented through a set of case studies (below) and wider discussions with key stakeholders on the most significant outcomes and impacts (both project, programmatic and portfolio level). We will assess to what extent results are evident depending



on type of delivery channel (multi/bilateral, obligatory/discretionary) and in relation to overall share of finance.

- **Transformational change analysis:** The evaluation will review the portfolio for potential areas of catalytic impact and transformational change. This will include assessing contribution of the portfolio to broader changes including impact on timing of climate transition (speed), replication and scaling, fundamental systems change (e.g. policies, behaviours, mindsets), and sustainability. It will identify key barriers (e.g. policy, market, technology, political economy) to results delivery at both national and international level.

Case studies

To inform the evaluation, it is proposed to undertake four case studies. These will be further defined during inception phase but initial proposals are that this will include 2 thematic case studies, one country case study and one institutional case study. Initial proposals are set out in further detail below:

- **Thematic case study 1: Private sector mobilisation:** The evaluation will review Finland's contributions to private sector mobilisation (e.g. returnable capital instruments, IFAD, IFC, Finnfund) and private sector mobilisation more generally, with a view to understanding the additionality of Finnish concessional public finance and its impact on market dynamics and private finance paradigm shift. It will assess expected and actual returns on capital as well as the efficiency of investment mobilisation processes (including barriers). The additionality of public finance participation, and whether risk and reward incentives are properly aligned will be examined. The evaluation will also explore additionality and robustness of reporting and consistency of mobilisation definitions.
- **Thematic case study 2: Adaptation incl. cross-cutting objectives (Human Rights Based Approach, gender, poverty eradication).** The evaluation will look at key elements of the climate finance portfolio to understand how Finland's climate finance is supporting vulnerable communities to respond and adapt to climate change, with a particular focus on gender, human rights-based approaches, disability and poverty alleviation. It will do this through a deep dive in programme documentation, results reporting and evaluations (identified during the portfolio review). The analysis will take the form of contribution analysis based on reported results. This will be supported by stakeholder consultation with core programmes (bilateral, multilateral) where cross-cutting elements have been mainstreamed into adaptation and resilience programming as well as by evidence from the country case study where relevant.
- **Institutional Case study:** The evaluation will engage with Finnish-based actors (government, CSOs, academia, private sector) to understand to what extent domestic capabilities, institutional strengths and networks have influenced and have been successfully leveraged and represented in the climate finance agenda. It will assess to what extent barriers exist to engaging with climate finance and what opportunities exist to strengthen cooperation and alignment. This will include an assessment of the influencing drivers of Finland's climate finance strategy, allocation decision making. It will identify case studies where cooperation has been successful or more challenging and understand the drivers of success/failure. The evaluation will also review to what extent



lessons and knowledge are being effectively captured and used to improve both internal and external engagement on climate finance.

- **Country case study (country tbc):** This case study will assess how Finland's climate ambitions are delivered at a country level, including direct programming, mainstreaming of climate into wider development cooperation and the role of climate in bilateral diplomacy. The case study will engage in country with the MFA, partners (both bi- and multilateral) and other development partners (including through donor coordination committees). It will review to what extent Finnish cooperation is coherent with national priorities and complementary to other initiatives within that country context. It would also assess any complementarity between Finnish funded initiatives (i.e. greater than the sum of the parts). Contribution to national climate transition would be assessed (e.g. in the context of climate policy, NDCs etc.) The choice of country will be determined by the level of Finnish support through both bi- and multilateral channels (public and private). The case study will also provide input into the thematic cases above if and where relevant.

Forward look and recommendations

- **Forward look:** To help frame recommendations and inform the further development of the Action Plan for Finland's Public International Climate Finance, the evaluation will undertake a forward-looking review of trends in climate finance and development cooperation, e.g. around innovation risk mitigation, private sector mobilisation, emerging approaches to scaling adaptation, business models and cooperation platforms and development of reporting requirements (e.g. OECD, UNFCCC). It will scan for strategic trends in institutional delivery and collaboration models, as well as the evolution of international reporting requirements around climate finance (e.g. OECD DAC, EU, UNFCCC). It will identify emerging best practices in alignment, scaling and collaborative delivery in areas of Finnish interest/competence. As part of this, we will review and speak to 3-4 aligned donors that will be specified in the inception phase (e.g. Nordics, Netherlands, UK, Ireland).
- **Recommendations:** The evaluation will integrate findings from the different workstreams and provide evidence-based recommendations on how the MFA together with relevant stakeholders could further improve their actions for a more effective, coherent and relevant response in the Action Plan. The evaluation will discuss potential funding priorities and types of cooperation instruments and set out a range of scenarios (thematic, instrument, geographical, public vs private, bi- vs. multilateral) to explore trade-offs and potential synergies and understand their relevance to different contexts. It will comment on aspects such as concentration/depth vs. presence/breadth, the role of countries in a multilateral structure, and the implications for portfolio scale and influence. The evaluation will also discuss the target setting, aggregation of results and improvement of results-based management. Recommendations will be prioritised, realistic and feasible. The recommendations will also address practical issues such as how the MFA might allocate staffing and institutional resources to maximise the effectiveness of overall delivery (e.g. in relation to different types of institutional relationships and delivery channels).

This approach (travel or in-country missions, and or selection of cases and samples) will be further developed during inception phase on the basis of document review and initial discussions with the reference group.



The evaluation recognises the capacity constraints and limited human resources supporting the climate finance portfolio within MFA. The engagement plan will therefore be developed in close cooperation with the MFA to ensure that any consultation or data gathering is done in a coordinated and streamlined way.

6. Evaluation process, timelines and deliverables

The evaluation will take place during 2022/2023. It started in November 2022 by nominating the reference group and identifying Team Leader candidates. The timetable below is tentative, and it will be finalised during the Inception Phase. The evaluation consists of the following phases and will produce the respective deliverables. During the process, particular attention should be paid to strong inter-team coordination and information sharing within the team.

Communication between the Evaluation Manager and Team Leader and the Evaluation Management Service Coordinator (EMSC) is crucial. It is highlighted that a new phase is initiated only when the deliverables of the previous phase have been approved by the Evaluation Manager. The revised reports must be accompanied by a table of received comments and responses to them.

The evaluation is divided into five phases. A summary of the deliverables defining each phase is listed here, with details and a tentative timeline below.

Phase A: Planning phase: November 2022 – January 2023

- Preparation of the draft Terms of Reference for discussion with the Reference Group (RG)
- Deadline for the draft ToR: 15 December 2022
- Finalisation of the ToR: 20 January 2023

Phase B: Start-up phase: January 2023

- Recruitment of the evaluation team members
- Kick-off meeting with the Reference Group: 13 January 2023

Phase C: Inception phase: January – March 2023

- Submission of Draft Inception Report: 28 February
- Inception meeting: 8 March
- Submission of the Final Inception Report: 24 March

Phase D: Implementation phase: March – May 2023

- Validation workshop with reference group (initial findings, tentative findings, conclusions and recommendations (FCR)): mid-June (tbc) (Helsinki or online, tbc)



Phase E: Reporting/Dissemination Phase: June – November 2023

- Draft Final Report submission: 22 August
- Comments to the draft final report: 15 September
- Final Report: 13 October
- Draft 4pager: tbc
- Public presentations: November (tbc)

The language of all reports and possible other documents is English. The timetables are tentative, except for the final reports.

Phase C: Inception phase

The inception phase includes preliminary desk analysis and preparation of a detailed evaluation plan. The desk study includes preliminary context and document analysis based on existing evaluations, studies, reports and documentation. The case studies to be conducted will be selected and decision justified in the inception report. Initial interviews of members of reference group will be conducted.

The Inception Report shall include the evaluation plan and initial desk study. The inception report will include the following sections: background and context; initial desk study findings; further development of the analytical framework; anticipated risks and limitations plus mitigation; description of the sampling process and conclusions; finalisation of the methodology and summarised in an evaluation matrix including evaluation questions/sub-questions, judgment criteria, methods for data collection and analysis; final work plan and division of work between team members; tentative table of contents of the final report; possible data gaps; tentative implementation plan for case studies and stakeholder consultations with a clear division of work (participation, interview questions/guides/checklists, preliminary list of stakeholders and organisations to be contacted); communication and dissemination plan; and budget.

The draft inception report will be submitted by 28 February 2023. It will be discussed and the needed changes agreed in the inception meeting scheduled for 8th March November 2023, to be held in person.

Phase D: Implementation phase

The implementation phase will take place from March 2023 until end of May 2023. It will include interviews and case studies.

A validation workshop of the initial overall evaluation findings, conclusions and recommendations will be arranged in June 2023. The purpose of the validation workshop is to share initial findings, conclusions and recommendations and also validate them. The meeting may be in-person in Helsinki or online.

After the workshop, it is possible that further interviews and analysis will still be needed to complement the information collected during the earlier phases.



Deliverables/meetings: At least a validation workshop supported by presentations on the preliminary results and recommendations of the evaluation. Participants will include the Development Evaluation Unit, the reference group, other relevant staff/stakeholders, the Team Leader (responsible for chairing the session), team members and the EMSC.

Phase E: Reporting and dissemination phase

The reporting and dissemination phase will take place in June - November 2023 and produce the final report. The draft report will be delivered by 22 August 2023. The report should be kept clear, concise, and consistent.

The report must follow writing instructions and template provided by MFA and it should contain inter alia the evaluation findings, conclusions, and recommendations. The logic between these elements should be clear and based on evidence.

The draft final report will be sent for a round of comments by the parties concerned. The purpose of the comments is only to correct any misunderstandings or factual errors.

The final draft report must include summary in English (including the table on main findings, conclusions and recommendations). It must be of high and publishable quality. The consultant is responsible for the editing, proof-reading and quality control of the content and language.

The report will be finalised based on comments received and must be ready by 13 October 2023. The final report must include abstract and summaries (including the table on main findings, conclusions and recommendations) in Finnish, Swedish and English. It must be ensured that the translations use commonly used terms in development cooperation. The Finnish speaking senior evaluator will be responsible for Finnish translations of good quality. The final report will be delivered in Word-format with all the tables and pictures also separately in their original formats.

In addition to written deliverables, the Team Leader and the evaluation team are expected to participate in workshops and give oral presentations, often supported by PowerPoint slides (esp. during phases D and E). The public presentation of evaluation results will be held in Helsinki, with at least the Team Leader present and hopefully also other evaluation team members. In addition, the Team Leader and other team members will give a short presentation of the findings in a public Webinar. This presentation can be delivered from distance.

The Consultant is expected to provide agreed visual materials.

In addition, the MFA requires access to the evaluation team's interim evidence documents, e.g. completed matrices, although it is not expected that these should be of publishable quality. The MFA treats these documents as confidential if needed.

The MFA will prepare a management response to the recommendations.



7. Expertise required

The evaluation team will consist of international and national experts. One expert is nominated as the Team Leader. The expertise requirements for the Evaluation Team Leader/Team are:

- For Team Leader: Strong team leadership and management track record and commitment to delivering timely and high-quality evaluation reports;
- Strong familiarity with Finnish development policy and cooperation and related decision making procedures;
- Knowledge of climate change adaptation and mitigation and climate finance;
- Knowledge and/or experience in different development cooperation funding modalities (development policy investments as well as private sector, multilateral, bilateral, civil society cooperation);
- Extensive evaluation experience in centralised, policy level evaluations in development policy and cooperation;
- Readiness to use a variety of evaluation methods (e.g. participatory methods, futures methods, survey, in-depth interviews etc.) and hands-on experience in collecting and analysing quantitative and qualitative data;
- Readiness and availability to disseminate the evaluation results and recommendations in the way that it supports managing and learning of the MFA's staff and management;
- Good communication and people skills; ability to communicate with various stakeholders and to express ideas and concepts concisely and clearly in written and oral form;
- Should be flexible, available as well as able to commit and allocate sufficient amount of time to the entire evaluation process, including when faced with unexpected changes; and
- Expertise on applying and evaluating human rights-based approach in development policy and cooperation and enhancement of the rights of women and girls as well as persons with disabilities.

8. Quality assurance of the Consultant

8.1 Internal quality assurance

The consortium implementing this evaluation will put in place a three-layer system of quality assurance for all products/reports: at the level of the Team Leader, through the EMSC&D, and in-house senior QA advisors.

The Consultant is in charge of the impeccable quality of English, Swedish and Finnish texts of the reports and related proofreading. The EMSC will be responsible for the good quality translations in Finnish. All deliverables shall be of publishable quality.



The evaluation team should do their best not to exceed the total length of 60-80 pages for the main evaluation report and prepare an executive summary that is publishable as a stand-alone document. A separate volume on annexes may be produced. It will be agreed upon during the inception phase which of the final deliverables are to be published. The inception report should also outline the structure of the main report and the planned contents of the annex(es).

The report should be kept clear, concise, and consistent. The report must follow the writing instructions and template provided by the MFA, and it should contain, among other things, the evaluation findings, conclusions, and recommendations. The logic between those should be clear and based on evidence.

The final draft report(s) will be sent for a round of comments by MFA's Development Evaluation Unit (EVA-11). The purpose of the comments is only to correct any misunderstandings or factual errors.

8.2 External quality assurance

It should be noted that EVA-11 may contract an internationally recognised expert as a Critical Friend (external peer reviewer) for the whole process. The person interacts directly with EVA-11 and provides expert opinions on the planning and implementation of the evaluations. EVA-11 may or may not integrate any such external advice as part of their overall feedback and management responses to the evaluation.

9. Management of the evaluation

The evaluation is commissioned by the EVA-11. The Evaluation Manager of EVA-11 will be responsible for the overall management of the process. The Evaluation Manager will work closely with other units/departments of the MFA and other stakeholders in Finland and abroad.

This evaluation is managed through the Evaluation Management Service (EMS), and it will be conducted by an independent evaluation team recruited by the EMS service provider (Particip GmbH – Niras Finland Oy).

There will be one Management Team responsible for the overall coordination of the evaluation. This consists of the EVA-11 Evaluation Manager, the Team Leader, and the EMS Service Coordinator and/or Deputy Service Coordinator (EMSC&D).

A reference group for the evaluation will be established and chaired by the Evaluation Manager. The reference group is constituted to facilitate the participation of relevant stakeholders in the design and scoping of the evaluation, informing others about the progress of the evaluation, raising awareness of the different information needs, quality assurance throughout the process, and using and disseminating the evaluation results.

The mandate of the reference group is to provide quality assurance, advisory support, and inputs to the evaluation, e.g. through participating in the planning of the evaluation and commenting on deliverables of the Consultant. The reference group is critical in guaranteeing transparency, accountability, and credibility, as well as the use of the evaluation and validating the results.



The Team Leader will manage the evaluation team. This requires careful planning to ensure that a common, consistent approach is used to achieve comparability of the data gathered and the approach used in the analysis.

The Team Leader will develop a set of clear protocols for the team to use and will convene regular online team meetings to discuss the approach. Particular attention should be paid to strong inter-team coordination and information sharing within the team during the process.

The evaluation team is responsible for identifying relevant stakeholders to be interviewed and organising the interviews. The MFA and embassies will not organise these interviews or meetings on behalf of the evaluation team but will assist in identifying people and organisations to be included in the evaluation.

10. Budget

A total budget is estimated to be EUR 400.000 including a contingency for any unexpected expenses. The final budget will be decided during the Inception Phase.

11. Mandate

The evaluation team is entitled and expected to discuss matters relevant to this evaluation with pertinent persons and organisations. However, it is not authorised to make any commitments on behalf of the Government of Finland or the MFA. The evaluation team does not represent the MFA in any capacity.

All intellectual property rights to the result of the Service referred to in the Contract will be the exclusive property of the MFA, including the right to make modifications and hand over material to a third party.

The MFA may publish the result under Creative Commons license to promote openness and public use of evaluation results.

12. Authorisation



Annex 3: Approach and Methodology

Evaluation approach and questions

The evaluation follows a theory-based approach using mixed methods (both qualitative and semi-quantitative scoring of sub-portfolio). The approach consists of creating an implicit TOC that captures the drivers, activities and objectives within the Finnish Climate Finance portfolio and then further testing/refining this framework through an examination of the evidence from the portfolio and associated strategies. This theory-based approach allows for structuring of analysis of results and also helps better inform and frame recommendations and potential scenarios relating to the further development of the Climate Finance Strategy and Action Plan. The focus of the questions considers the findings of the DPC and NAOF reports and builds upon them. The following table presents the three main EQs:

Table 12 Overview of the three main Evaluation Questions

MAIN EVALUATION QUESTIONS	OVERVIEW
EQ1. To what extent is the Finnish international climate finance relevant to and coherent with national, global development and climate agendas and the priorities of those involved and affected?	EQ1 examines the <i>relevance</i> and <i>coherence</i> of Finland's climate finance portfolio to understand the extent to which it is greater than the sum of its parts. It seeks to explore the strategic drivers, and theory of change that inform Finland's climate finance allocation and assessment processes, including institutional influences, governance structures and wider development objectives. It also assesses the extent to which the portfolio of funded activities and institutional partnerships reflects these objectives (both explicit and implicitly). More broadly, EQ1 also looks at the alignment of the climate finance portfolio with broader domestic and international priorities and interests. Complementarity with other initiatives and institutional processes (both domestic and international) is also assessed.
EQ2. To what extent has Finland's climate finance portfolio delivered results over the period 2016-22?	EQ2 examines the results of the portfolio from an efficiency, effectiveness, impact and sustainability perspective. This will be done primarily through portfolio analysis, a more detailed assessment of a sub-portfolio of interventions and will be supported by thematic and country case studies. We will also synthesise existing results data as gathered by MFA for the wider portfolio. Efficiency will be based on evidence related to the timeliness of implementation and disbursement (as evidenced in the sub-portfolio assessment). Effectiveness will be assessed using the framework of (intermediate) outcomes in the TOC as its primary organising principle. Results will be captured at the intervention outcome and impact level (e.g. mitigation, resilience, co-benefits), as well as sustainability. The consistency of reporting methodologies will be reviewed. A particular focus will also be given to evidence of transformational change (i.e. broader changes including impact on timing of climate transition (speed), replication and scaling, fundamental systems change (e.g. policies, behaviours, mindsets), and sustainability (e.g. economic, social, environmental). EQ2 will also focus on the extent to which Finnish climate development cooperation has been able to influence multilateral platforms (climate funds, MDBs in terms of shaping agendas (e.g. around equity, gender or thematic priorities), or around raising ambition and cooperation more generally.



MAIN EVALUATION QUESTIONS	OVERVIEW
EQ3. Over a five-year period, how can Finland ensure that its Climate Finance Action Plan evolves to remain relevant, credible, influential and impactful?	<i>EQ3</i> provides a forward look and recommendations as to how the action plan can be better realised. It aims to set Finland in the context of wider climate finance trends and peer country developments to identify best practices around rightsizing the portfolio, target setting, prioritisation, measurement and monitoring that will allow it to more effectively improve and communicate the value of the portfolio. Topics to be explored will include potential synergies and trade-offs involved in prioritisation (e.g. thematic, geographic, instrument), resourcing considerations and constraints, and synergies with wider Finnish interests and development objectives and related areas (e.g. biodiversity and nature-based solutions). Scenarios will be developed to frame potential options for climate finance strategy and portfolio evolution going forward.

EQ3 forms the basis for the recommendations section of the final report but draws entirely upon evidence generated from EQ1 and EQ2, rather than seeking to generate new insights. It will be additionally informed by a Recommendations and Theory of change workshop held with the Reference Group in June 2023.

Each of these questions has been further elaborated in an evaluation matrix (see Annex 7), which presents updated sub-questions for each EQ based on the inception review.

Methodology and approaches to analysis

The following represent the four key approaches to analysis:

Theory of change development:

- Implicit retrospective Theory of Change
- Forward-looking Theory of Change

Portfolio review and assessment:

- Portfolio classification by different parameters (thematic, geographic, instrument)
- Sub-portfolio assessment of sub-sample of interventions (c.50) by OECD DAC criteria
- Review and synthesis of available results information at portfolio level

In depth case studies:

- Review of private sector instruments and impacts
- Thematic review of adaptation and cross-cutting objectives
- Institutional case study to assess alignment and engagement with Finnish interests
- Country case studies (Tanzania (in person) and Vietnam (as light touch remote))



Horizon scanning

- Trend analysis on climate finance
- Peer review consultation and review process among comparator countries

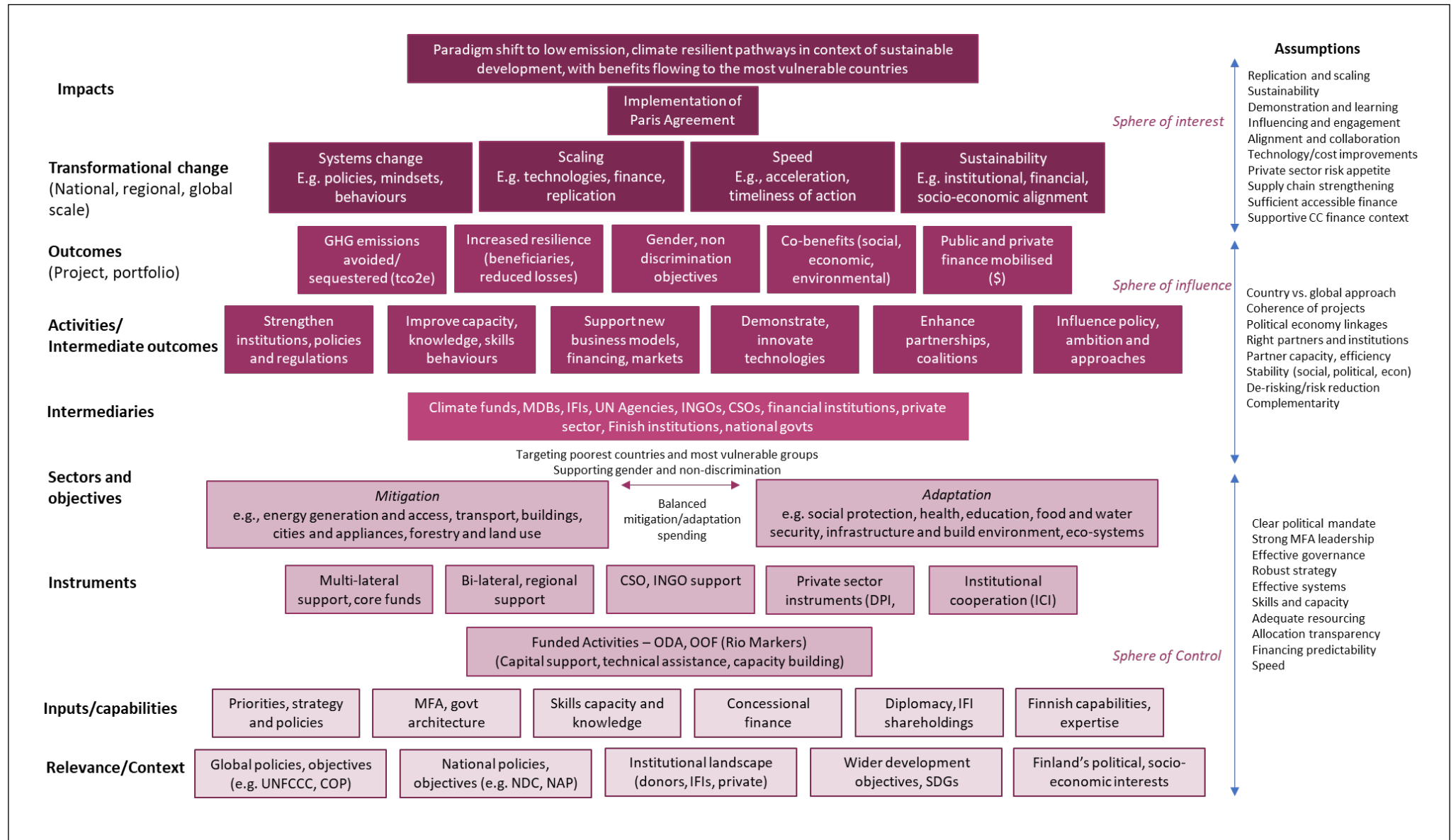
Each element is discussed in more detail below.

Theory of Change

In the absence of an overall framing strategy, the evaluation is developing a theory of change. The theory of change is the main analytical framework for the evaluation and is being used to understand the explicit and implicit drivers of portfolio allocation, to identify and classify results and outcome areas, and to inform potential approaches to prioritisation and strategic framing going forward. An initial TOC has been developed below on the basis of the strategy review (Figure 21).



Figure 21 Theory of Change for the Finnish Climate Finance Portfolio





This implicit TOC is further updated on the basis of the research and consultation process and presented as part of the final report as a summary of the shape and dynamics of climate finance over the period 2016 to 2022.

In addition, we develop a propositional theory of change as part of the forward look (EQ3 Recommendations). This aims to set out and reflect the recommendations in how the strategy might be shaped to provide clearer direction and understanding around priorities and change mechanisms.

This process was supported by a theory of change workshop as part of the FCR workshop (June 2023) with the reference group.

Transformational change is a key priority for both climate finance and Finland. For example, The Paris Agreement/UNFCCC, and the 2030 Agenda both call for transformational change, including SDG 13 on Climate Action, and SDG 15 on Life on Land and SDG 12 on Responsible Consumption and Production. We are adopting the approach identified under the Transformational Change Learning Partnership (TCLP) as convened by the Climate Investment Funds (comprising the relevant MDBs and other stakeholders) which frames transformational change in terms of Systemic Change (e.g. policies, mindsets, behaviours), Scaling (e.g. of technologies, finance, reach), Speed (acceleration of decision making or market evolution), and Sustainability (i.e. robustness of results over time and alignment with and reinforcement of wider social-economic-environmental development). We are looking for examples within the sub-portfolio assessment of these types of impacts (i.e. beyond the project boundaries) and will supplement this through the case study approach and interviews.

Portfolio analysis

We undertake a portfolio analysis to support the following objectives:

Portfolio classification

Building on the work set out earlier (based on available data for 2016-2021), the evaluation team undertakes a portfolio review to identify and classify key parameters of interventions including focus (geographic, thematic), modalities (grants, capital instruments) and delivery channels (e.g. bilateral, multilateral) to allow a review of the shape of supported activities and how well they reflect strategic aims and objectives. This data is presented graphically and assessed against the strategy to understand potential areas of over or under allocation. We also explore if it is possible to use other markers (e.g. gender, Rio Markers) to understand how different instruments reflect development objectives).

This is done against the full climate finance portfolio (approximately 1.000+ disbursements).

Portfolio assessment

To support greater depth and insight into the portfolio, we undertake a more detailed assessment of a subset of climate finance interventions to explore questions and generate evidence around strategic alignment and results. This is done using an assessment framework structured according to OECD DAC criteria (intervention relevance, coherence, efficiency, effectiveness, impact, and sustainability).



The purpose of the exercise is two-fold:

1. To provide an expert-led assessment of a significant sample of the based on the strength of evidence available in key documents. This allows for a high-level assessment of both portfolio relevance and alignment (EQ1), as well as provides evidence for results (EQ2). Results are organised and discussed using the outcome and transformational change framing as set out in the TOC.
2. To provide insights and identify evidence to support more detailed consideration case studies by identifying concrete achievements.

With the purposeful sampling approach, the aim is to establish a group of interventions that can provide information-rich data and analysis on the topics relevant to the evaluation. Table 13 describes the portfolio characteristics utilised in sampling and the related criteria. Within this portfolio, the evaluation interest is in the larger channels and interventions (in EUR). However, also considering the interest in adaptation and its linkages to Finland's cross-cutting principles, interventions of a smaller size are also included in the sample to ensure a balanced selection.

The Sub-portfolio review looks at the MFA funded interventions against the OECD DAC criteria considering the characteristics of different instruments. Investment portfolio is assessed looking at different types of units. E.g. in case of Finnfund the intention is to look at the individual intervention IDs that have been identified as climate funding. At the same time, some other contributions (e.g. HIPCA or IFC blended funding mechanisms are assessed as contributions to the wider mechanism or a pool). The focus is on compiling evidence that helps the evaluation team to gain understanding of the characteristics of each funding channel/instrument.



Table 13 Criteria for intervention sample selection

GUIDING CHARACTERISTICS	CRITERION
Type of climate change financing	Appropriate quota is set for each funding channel (Bi/regional, CSO/ INGO, Investment instruments, Institutional cooperation, Multi-core, PSI-grant).
Size of the interventions	The sample is selected among the larger interventions in each funding category. Interventions are identified as per the intervention ID (one intervention may constitute of multiple commitments spread over 2016-2022). In some cases of programme-based support and multilateral core funding multiple IDs represent one intervention in the sample.
Relating to a case study	<p>The selected interventions enable input to the evaluation case studies:</p> <ul style="list-style-type: none"> • Private sector mobilisations (PSI and investment portfolio) • Adaptation and cross-cutting • Institutional case study (ICI, CSO, academia, private sector) • Country case study (e.g. Tanzania, Vietnam)
Thematic/sectoral focus	<p>The selection will reflect on the coverage of mitigation and adaptation related interventions in line with Rio Marker³³ (indicative sub-sectors are considered):</p> <p><u>Mitigation</u></p> <p>Energy Transportation Industry Forestry Agriculture Land use Waste</p> <p><u>Adaptation</u></p> <p>Meteorology & disaster risk reduction (significant category) Agriculture Food security Water management Forestry Fisheries</p>
Geography	Interventions selection considers the balance between Asia, Africa and global interventions.
Timing (2016-2022)	Timing of the selected intervention is considered.
Data availability	The evaluation team may propose to replace an intervention with another one if data availability proves to be an issue (e.g. in case of private sector interventions).

Using this approach, a sub-sample of the portfolio has been identified consisting of 49 interventions, representing 70% of the total value of the portfolio (2016–2021). The portfolio has been designed to provide for sufficient coverage. The following tables set out the profile of the sample by channel and case study relevance.

³³ These categories follow the 'mitigation' and 'adaptation' related sectors in line with MFA's Rio marker guideline that also provides a generic guidance relating to the climate finance statistics. Note that sub-sector classification may not always be clear from available data.



Table 14 Portfolio assessment sub-sample by channel

BY CHANNELS	# OF INTERVENTIONS
Finnfund	7
Other dev pol invest	7
Bi/regional	7
multi-core	7
thematic/earmarked other	6
CSO /NGO	5
Institutional cooperation	5
PSI grant	5
Total	49

Table 15 Portfolio assessment sub-sample by case study relevance

# OF INTERVENTIONS	# OF PSI CASE INTERVENTIONS	# OF ADAPTATION CASE INTERVENTIONS ³⁴	# OF INST. CASE INTERVENTIONS	# OF INTERVENTIONS FOR COUNTRY CASE (IF TANZANIA)
49	16	14	10	4

‘A sample intervention’ is defined by a unique Project ID assigned to the commitment/disbursement line in the portfolio. Some interventions consist of multiple decisions and documents. In the case of the programme-based support to the Finnish CSOs and some cases of core funding to multilateral actors, the sample intervention consists of multiple IDs.

Each intervention is given an expert scoring assessment on OECD DAC criteria, reflecting the level of evidence identified within the sub-portfolio assessment. Scoring is done based on the key documents, which are 1) MFA’s internal project proposal(s) (‘hanke-esitys’), 2) Meeting minutes of the quality board review OR similar (if available), 3) project document OR similar ‘description of contribution’ and 4) progress reporting and/or evaluation. This scoring assessment is not performance related, but rather aims to understand how different instrument types perform against OECD parameters.

The scoring approach considers the diversity of interventions, including development policy investments, private sector instruments and core funding to multilateral partners. These are naturally broad ranging in their scale and scope, so we rely on expert judgement of the characteristics to ensure a useful high-level comparison, even where the nature of the instruments is very different. Where possible, triangulation of scoring will be undertaken where interventions are reviewed in more depth as part of a case study.

³⁴ This figure includes those interventions that are explicitly marked as adaptation project.



Case studies

The following section sets out information on the four proposed case studies. The case studies are ways of collecting data and insights from different perspectives to answer the questions in the overall evaluation matrix. Specific questions for the individual case studies and their mapping against the evaluation matrix questions are set out in Annex 7.

Note that where stakeholders may be relevant for more than one case study, interviews have been coordinated across the evaluation to ensure that information is gathered in a streamlined way with a single point of contact.

Further details are provided below on the individual focus and stakeholders that will be targeted.

Private sector case study

Overview

The private sector case study reviews the efforts to support private sector climate action within Finland's climate finance portfolio. The core focus of the case study is on Finland's dedicated investments in climate funds with a private sector orientation. These are blended finance climate investment funds through MDBs (Finland-IFC Blended Finance for Climate Programme (later referred to as Finland-IFC Climate Fund), Finland- Latin America and the Caribbean (LAC) Blended Finance Climate Fund with IDB Invest, EBRD HIPCA (private sector elements only), as well as more impact-oriented MDB investments (ADB Ventures). While each of these funds have their own objectives, overall, they aim to support climate technologies and investments in order to deliver a range of impacts including reducing emissions, scaling renewable energy, and reducing the cost of power in the long run.

As a secondary focus, the case study draws evidence from other types of private sector activity reviewed under the sub-portfolio assessment including loans to Finland's development impact investors (Finnfund) and other relevant private sector grant or loan instruments. Where relevant, this also includes evidence of other donor support for similar types of investments with the relevant IFIs. These are presented as part of a mapping of how the private sector plays a role within the climate finance portfolio and forms part of an analysis of synergies between the various instruments.

The case study is primarily led by the overall set of evaluation questions (see Annex 7) but also considers the following key areas of interest in particular:

- Coherence of selected funds and mechanisms with Finland climate finance/DPI objectives,
- Opportunities and challenges in negotiation and policy influencing with MDBs during design,
- Risk tolerance, role of public finance and incentives within blended finance structures,
- Timescales, barriers and opportunities for origination and deployment of funds,
- Available evidence of climate and associated development impact outcomes,
- (Expected) private finance mobilisation effects (incl. consistency of definitions),



- (Expected) returns on capital,
- Impact on wider private sector investment and activity (e.g. replication, market development),
- Transparency, reporting and understanding climate development impact, additionality.

It is not the intention of the case study to evaluate the performance of the IFI blended climate finance funds against their individual mandates, but rather to identify their alignment with overall strategy, discuss the types of benefits that they are likely to deliver, and identify issues or learnings that might inform future private sector climate finance. Many of these funds are at relatively early stage of implementation, so evidence around outcomes and impacts is limited in any case. The case study draws upon already existing sources incl. IFI's own evaluations and Multilateral Organisation Performance Assessment Network (MOPAN)-studies where appropriate.

Approach

The study is based on document analysis of Finnish strategies and reporting as well as project financing documentation (project proposal, Finland's assessments of project proposals, agreements, relevant IFI blended finance strategies and websites), reporting and reviews and where available final evaluations). Furthermore, documentation related to negotiations of the investments with the IFIs/DFI is analysed. There are interviews with MFA, implementing partners (e.g. IFIs and Finnfund), as well as with other stakeholders including from the Finnish private sector and NGOs. Country case study countries (Tanzania, Vietnam) have allowed for interviews with relevant in country stakeholders where identified as relevant.

Adaptation and cross-cutting case study

Overview

The evaluation has looked at key elements of the climate finance portfolio to understand how Finland's climate finance is supporting vulnerable communities to respond and adapt to climate change, with an additional focus on cross-cutting objectives such as gender, non-discrimination (e.g. disability) and poverty alleviation as well as the overarching HRBA. It firstly explores in greater depth strategic objectives related to adaptation, HRBA and cross-cutting objectives and provide a high-level overview of evidence from the portfolio classification process. It then undertakes a deep dive in programme documentation, results reporting and evaluations (as identified during the portfolio review) to identify outcomes, impacts, lessons learned and best practices. This is supported by stakeholder consultation with core programmes (bilateral, multilateral). Evidence from the country case study is used to augment findings. From a cross-cutting perspective, interventions are reviewed for their mainstreaming of cross-cutting objectives, relevant activities and any associated results. Unintended consequences for vulnerable groups are also be examined.

Approach

The case study uses the following methods:

- *Portfolio evidence:* Data and insights generated by the portfolio classification and assessment process for interventions relevant to adaptation, HRBA and cross-cutting objectives (estimate c. 20),



- *Desk review*: More in-depth review of documents (proposals, funding decisions, reports, evaluations) of the interventions included in the portfolio sub-sample, with expansion to include additional relevant interventions to ensure representation by instrument or where these are identified as relevant during consultation,
- *Semi-structured key informant interviews*: Interviews (individual or group) were undertaken with the following groups with key adaptation relevance:
 - MFA (in cooperation/alignment with other workstreams),
 - Private sector (e.g. Finnfund, Finnpartnership, Business Finland),
 - CSO support (e.g. Fin Church Aid, FELM, Finnish Red Cross, FFD, WWF Finland),
 - ICI (e.g. NIRAS, Finnish Consulting Group FCG (Coordinators), Finnish meteorological institute, Finnish Environmental Institute (SYKE)).

Institutional Case Study

Overview

The institutional case study engages with Finnish-based actors (government, CSOs, academia, private sector) to understand to what extent domestic capabilities, institutional strengths and networks have influenced and have been successfully leveraged and represented in the climate finance agenda. It assesses to what extent barriers exist to engaging with climate finance and what opportunities exist to strengthen cooperation and alignment. This includes an assessment of the domestic influencing drivers of Finland's climate finance strategy, allocation and decision making. It identifies examples where cooperation has been successful or more challenging and understands the drivers of success/failure. The case study also reviews to what extent lessons and knowledge are being effectively captured and used to improve both internal and external engagement on climate finance with Finnish institutions and how this might be encouraged further as part of the Action Plan.

Approach

The case study draws primarily on the following methods:

- *Portfolio evidence*: Data and insights generated by the portfolio classification and assessment process for interventions that have supported institutional alignment,
- *Desk review* of documentation addressing institutional linkages and alignment,
- Publicly available statements and analysis of different actors,
- Semi-structured interviews (or focus groups) with the following stakeholders:
 - Finnish government (e.g. MFA, Finance, Environment, Agriculture),
 - Development Policy Committee representatives (Trade Unions, CSOs, Parliamentarians),
 - State research institutes (e.g. FMI, SYKE, Geological Survey of Finland (GTK), Luke),



- CSOs (e.g. CSOs with framework agreements, Fingo climate finance working group members),
- Academia (e.g. Higher Education Institutions Institutional Cooperation Instrument (HEI ICI), UniPID, Academy of Finland DEVELOP),
- Private sector (Finnfund, Business Finland (Business with Impact, BEAM), DevPlat), Finnpartnership), companies using relevant instruments, or collaboration.

Country case study

Overview

This case study assesses how Finland's climate ambitions are delivered at a country level, including direct programming, mainstreaming of climate into wider development cooperation and the role of climate in bilateral diplomacy. The aim is not to generalise the findings to other parts of the portfolio but to provide illustrative country-level evidence on evaluation questions. It aims to deepen the understanding of the ways MFA funding instruments, guidelines and processes play a part in the national and local in relation to climate goals.

The case study has engaged engage in country with the MFA, partners (both bi- and multilateral) and other development partners (including through donor coordination committees). It reviews to what extent Finnish cooperation is coherent with national priorities and complementary to other initiatives within that country context. It also assesses any complementarity between Finnish funded initiatives (i.e. greater than the sum of the parts). Contribution to national climate transition is assessed (e.g. in the context of climate policy, Nationally Determined Contributions, etc.).

The choice of country has been determined by the level of Finnish support through both bi- and multilateral channels (public and private). The case study has also provided input into the thematic cases above if and where relevant.

The country case study is structured around the key evaluation questions (EQ1-EQ3), assessing relevance and coherence, delivery of results and factors affecting the sustainability of climate financing at the country level. Interview protocols and the selection of interviewees are in line with case-specific questions.

Country selection

While large part of the climate finance portfolio is delivered to multilateral actors without a country specification, portfolio analysis indicates Finland's long-term partner countries, namely Tanzania, Nepal, Vietnam and Ethiopia, as potential case countries (see Table 16). Tanzania, at the top of the list, has a Development Cooperation Country strategy and programme with an elaborated objective in relation to climate resilience. Tanzania, as a case, would also be input into the adaptation case study. A country case study focusing on an African country is also supported by Finland's regional priorities.

Tanzania therefore serves as the case country. Examples from other countries are reviewed as part of the sub-portfolio review, with light touch interviews with Vietnam-related programmes and embassy staff.



Table 16 Size of portfolio by country

COUNTRY AND TYPE OF CHANNEL	EUR MILLION
Tanzania	15.9
Nepal	12.0
Vietnam	10.0
Ethiopia	9.9

Approach

The case study methodological approach is guided by the main evaluation questions that are translated into case-specific sub-questions (see Annex 7). Following data collection approaches have been applied:

- *Country portfolio review.* Numeric analysis of Finland's climate financing to the selected country 2016-2022, attention to thematic and sectoral focus and use of different funding instruments. This is also done in reflection to other relevant financial flows (e.g. other Finnish aid) and trends. Project portfolio review (qualitative).
- *Documentary review of context-specific documents.* These include key country policies, commitments under UNFCCC, relevant documentation of multilateral actors (e.g. context-specific analysis by in-country multilateral actors).
- *Documentary review of internal documentation.* MFA's country strategies, plans and reporting, and documentation concerning the selected interventions in the country portfolio (evaluations, project plans and reporting, MFA memos, meeting minutes and correspondence with partner networks).
- *Internal stakeholder interviews.* The MFA staff will be interviewed in two stages. Desk officers or other 'intervention owners' in Helsinki will be interviewed during the preparation of the field mission. Relevant embassy staff will be interviewed during the mission or by phone/online. These will be mainly individual interviews, but group interviews are possible (considered case by case).
- *External stakeholder interviews.* These interviews will be conducted mainly during the mission, face-to-face. However, online means are utilised if needed to ensure wide reach. These stakeholders include key national counterparts, intervention implementers, multilateral and bilateral partners and relevant donor coordination networks in the country. These will be mainly individual interviews, but group interviews are possible (considered case by case).
- *Direct observations and interviews at an intervention site.* If deemed relevant, an intervention site(s) can be visited to discuss with partners. Beneficiaries' interviews are out of the scope of this evaluation.

A 7-day field mission was conducted in May 2023. The mission focussed on consultations with the MFA staff, donors, multilateral actors and implementing actors. Relevant national counterparts were consulted during the mission. The team recruited a local evaluator to assist with data collection during the field mission.



Horizon scanning

Trend analysis

This study provides an overview of emerging trends in international climate finance by the end of 2022 based on various data sources. It will also draw upon key evaluative and emerging strategy work, as well as shifts in the multilateral programming landscape and instrument landscape. The primary aim is to provide context for recommendations in EQ3 as to the future evolution of the portfolio, to inform an emergent Theory of Change and strategic framing for the Action Plan.

The trend analysis assesses the following questions:

- What are the relevant trends in climate finance that might be relevant to Finland's strategy?
- What is the direction of travel in terms of priorities (e.g. thematic, geographic, instruments)?
- How are multilateral processes (e.g. UNFCCC) shaping decision making and allocation?
- How are multilateral funds evolving to meet new expectations and new challenges?

The trend analysis is desk-based and draw upon a range of sources including:

- Trend data in climate finance (e.g. SEI Aid Atlas, Climate Policy Initiative Climate Finance, OECD DAC reporting),
- Review of recent evaluations/strategic evolution of key climate funds (e.g. of GCF, GEF, Climate Investments Funds (CIF)),
- Position papers on strengthening the multilateral framework and role of the MDBs,
- Horizon scanning for new and innovative climate finance instruments.

Peer review

The peer review process aims to place Finland in the context of selected likeminded peers to identify emerging insights and best practices that might be adopted or reflected in climate strategy. Based on interviews in MFA the following peer countries have been selected as they are of interest to the Finnish efforts due to either/and comparability in size and the instruments developed: Sweden, Canada, Switzerland and Ireland. They all have clear focus on mobilisation of the private sector that mirrors Finland's priorities and approach.

The study focuses on the following comparisons:

- The extent to which Finland is providing its 'fair share' of climate finance by comparing levels of funding with peers; e.g. calculations of 'fair' share; international climate finance per capita; compared to Gross National Product, etc.,



- The extent to which the climate profile of Finland corresponds/varies to that of peers: Funding modalities, multilateral/bilateral, types of countries (LDCs, Middle-Income Countries (MIC), SIDS); mitigation/adaptation and factors that explains similarities/variations,
- The extent to which the thematic priorities are similar/differs – and factors that explain the similarities/variations,
- The availability of different modalities/instruments for mobilisation of the private sector – and factors that explain these variances,
- The extent to which peers have climate strategies and these strategies are useful in guiding climate action based on available evaluations of international climate finance,
- The extent to which there are new trends in climate finance and whether they have been picked up by peers and how,
- The extent to which there are gaps in current international climate finance and what thinking is as to how to address such gaps.

For each of the peers, one particular successful innovation/instrument that has contributed to climate action either by its development impact or contributing to mobilisation of the private sector, will be looked at in more detail and potentially presented in a box in the final evaluation report.

The peer review is based on data on each of the peers' international climate finance activities supplemented with interviews with key climate responsible staff in the relevant bodies. For all countries there is yearly reporting on international climate finance; and Canada's international climate support has recently been subject to evaluations and SECO is currently undergoing evaluation. Furthermore, information on climate activities are sought from OECD DAC peer reviews. It is not the intention to pass judgement on any of the peer's activities but rather to seek lessons that are deemed valuable for the further development of Finnish climate support.

Data collection methods

In terms of data collection methods, the following key methods are used to inform the analysis approaches:

8.1.1 Interviews

Interviews were undertaken both centrally to answer the core evaluation questions in the evaluation matrix, (i.e. with Key MFA and other central stakeholders), as well as through the case studies. In addition, follow up discussions were made with members of the reference group for more in depth discussion.

In terms of central interviews, we undertook interviews with key stakeholders within the MFA and other relevant government structures (e.g. Ministry of Environment, Ministry of Finance, Prime Minister's office). These interviews allowed us to explore a range of topics including the relevance and coherence of the strategy and portfolio, as well as emerging results and potential options and constraints for future climate finance portfolio delivery.



We have undertaken interviews with a wide range of stakeholders:

- Central MFA staff with interest in climate finance (KEO, Department for Africa and Middle East (ALI), Department for the Americas and Asia (ASA), Department for Russia, Eastern Europe and Central Asia (ITA), EVA-11),
- Other central government stakeholders (Ministry of Economics, Ministry of Finance, Prime Minister's Office),
- Political parties with interest in climate finance,
- Country level government staff (Embassies),
- Development Policy Committee,
- Finnish CSOs, INGOs,
- Finnish private sector representatives (real sector, investment),
- Finnish research institutes and academics,
- MDBs, DFIs and other multilateral partners engaging with Finnish climate finance,
- Peer donors,
- National beneficiaries and intermediaries (e.g. governments, public private actors),
- Other experts with interest in Finnish/global climate finance.

Within the Finnish government stakeholders, we have undertaken interviews with the following entities:

- Ministry of Foreign Affairs (MFA),
 - Management level (MFA, KEO),
 - Multilateral cooperation (GCF, GEF/LDCF/SCCF, AF etc.): Unit for Sustainable Development and Climate Policy (KEO-60),
 - Private sector: Unit for Development Finance & Private Sector Cooperation (KEO-50),
 - CSO support: Unit for civil society (KEO-30),
 - Bilateral and regional cooperation: ASA, ALI,
 - ICI: Unit for General Development Policy (KEO-10),
 - Cross-cutting objectives: Unit for Sectoral Policy (KEO-20), relevant senior advisers,
- Ministry of Finance (e.g. The Coalition of Finance Ministers for Climate Action),
- Ministry of the Environment,
- Prime Minister's Office.



8.1.2 Document review

We identified and reviewed key documents as follows to further inform our analysis:

Strategic climate finance policies, strategies, e.g.:

- Action Plan for Public International Climate Finance (MFA 2022),
- Development policy investment plan for 2020–2023 (MFA 2019),
- Report on Development Policy Across Parliamentary Terms (MFA, approved in 2022).

MFA Evaluations and other reviews:

- Evaluability Assessment of Finland's International Climate Financing (MFA 2015),
- Finland's International Climate Finance – Steering and Effectiveness (NAOF 2021),
- Finland's Climate Financing Needs a Clear Direction. Analysis by the Finnish Development Policy Committee (DPC 2022),
- Evaluation of the Development Policy Influencing in the European Union (MFA 2022),
- Evaluation Finnish Development Policy Influencing Activities in Multilateral Organisations (MFA 2020),
- OECD (2017). OECD Development Cooperation Peer Reviews: Finland (OECD 2017),
- Finland Mid-term Review (OECD 2021),
- Meta evaluation of MFA's Project and Programme Evaluations in 2017–2020 (MFA 2022),
- Evaluation of the Transition Process of Finnish-Vietnamese Cooperation in 2008–2020 (MFA 2021),
- Evaluation of Country Strategy Approach in Fragile Contexts (MFA 2021),
- Intervention documentation (documents, approval memos, annual reports, evaluations) as part of sub-portfolio assessment,
- Evaluations of multilateral funds/organisations and other documentation related to them,
- Third party and grey literature related to the evolution of global climate finance and peer country approaches.

8.1.3 Portfolio data

Portfolio data provided by the MFA

Climate and other development impact indicators analysed by MFA relevant to identified climate finance interventions. Further details are provided below:



Data set characteristics

To establish an overview of Finland's climate finance, the Evaluation Team (ET) utilised the dataset received from the MFA on 14/02/2022. The final dataset for 2016-2021 consisted of 510 intervention IDs and 1099 row items, each corresponding to an individual disbursement. The data set was provided with climate finance figures as rounded figures (1.000/thousand). Due to the rounding error, the sum of mitigation and adaptation-related financing is EUR 31.000 more than the sum of total climate finance. This rounding error is spread throughout the portfolio and thus it does not influence the analysis or the findings. The data set (14/02/2022) also contained initial data concerning the 2022 disbursement. General characteristics of this initial and incomplete data set are described, but these are not part of the overall quantitative analysis or sampling.

Based on the original and cleaned data set, ET established a second data set to enable a more detailed analysis of the Rio Marker data. The original data set was organised by matching Rio Markers 1 and 2 for adaptation with EUR for adaptation and Rio Markers 1 and 2 for mitigation with the corresponding amount in EUR for mitigation. Each disbursement item that had markers for both (mitigation and adaptation) was divided into their own rows (after reorganizing the data set, it contained 1617 rows). The rounding error of this reorganised data set is EUR 26.000 (indicating a manual error of EUR 5.000). However, considering that this rounding error is spread throughout the portfolio, it does not influence the analysis.

Re-coding

The available parameters and details were re-coded to correspond to the evaluation questions. Table 17 shows the re-coded categories applied to funding channels. Finnfund allocation can be categorised as Official Development Aid (ODA) or as OOF. All Finnfund disbursements that are confirmed as climate finance in the MFA statistical process are ODA. Thus, Concessional credits, Finnfund and 'Dev financial investments' can all be grouped under the 'Loans/investments' for the portfolio analysis. In comparison to the inception stage, 'fund for local cooperation instrument' was recoded under a channel category 'other' because it was noted that these funding channel recipients could be local CSOs, private businesses or others. The categories for Earmarked/fund/theme, Multilateral thematic funding, and 'Other multilateral aid' were grouped under a new category called 'Thematic, multi/other'.



Table 17 Referencing new re-coded categories with the ‘instrument’ detail in the original dataset

RE-CODED CHANNEL CATEGORY	ORIGINAL INSTRUMENT CATEGORY IN THE DATA SET
Bilateral/regional	BI Cofinancing programme, Bilateral programme, Multi - bi project, Sectoral budget support
CSO/INGO	Development cooperation by International non-governmental organisations, Information and development education, National share of the European Commission -programme support, NGO Frame Agreement subproject, Programme support, Project support
Loans/investments	Concessional credit, Dev Financial Investments, Finnfund
Institutional cooperation	Institutional cooperation instrument, Local authorities' development support
Multi-core	Core contribution
Thematic, multi/other	Earmarked/fund/theme, Multilateral thematic funding, Other multilateral aid
Other	ODA-eligible administration costs (Ministry for Foreign Affairs), Fund for Local Cooperation instrument
PSI-grant	Finnpartnership
Research cooperation	Development Research, Higher Education Cooperation, Other development research

Source: Evaluation team, MFA Statistics Unit

As per Finland’s reporting to UNFCCC, Finland uses the Rio Markers as established in the OECD DAC’s creditor reporting system to identify and report their climate finance. In addition, the responsible desk officer gives a numeric value (varying between 10 and 100%) to quantify the amount of climate finance from the overall climate finance. This value enables the quantification of the marker in the ODA statistics. The ET is mindful of the limitations concerning the use of Rio Markers, as indicated in the audit findings (2021) and during inception stage interviews.

Considering some of the limitations regarding the Rio Markers in the data, the evaluation team adapted the original data set (received 14/2/2023) as follows:

- EUR 17.4 million of the overall climate finance portfolio were without a Rio Marker,
- Those Items that had the amount of climate finance marked in EUR but did not have the corresponding Rio Marker or were marked as zero were fixed. To ensure that these row items were reflected in the Rio Marker analysis, the Evaluation team added the missing markers following the MFA Rio Marker guideline,
- Nine row items (disbursements) had Rio Markers but no climate funding in EUR. These were left as were.

Thus, the Rio Marker analysis and flow charts deriving from the data set are indicative, but these are considered to represent the overall patterns and trends adequately.



Comparison with total ODA

The overall ODA statistics presented in Figure 6 of the main report, were extracted from public sources (MFA, n.d.) that specify Finland's ODA disbursements 2016-2021. The data for budget categories '24.30.66.1 multilateral development cooperation', '24.30.66.2 Country specific and regional cooperation', '24.30.66.8 support to development cooperation conducted CSO', 'allocation to Finnfund' and 'other Development Policy investments were utilised to extract comparable figures to the categories utilised for Climate finance analysis. The following assumptions and adjustments were made to prepare the climate finance/ODA comparison table and figure:

- In the ODA statistics, multilateral cooperation and country/regional cooperation includes more or less the same channels/instruments that were also included in the climate finance evaluation.
- To establish comparable categories for CSO support, the category for INGO in the climate finance statistics was removed, since in the ODA statistics INGO support is included elsewhere. It is not known if the ODA CSO and the climate finance CSO categories include now exactly the same, but it is assumed that they are close enough.
- The climate finance portfolio review contained a category for thematic multi/other - it is assumed that this is not included in those ODA categories (multilateral, country & region) presented above table.

Based on the available data and details, it was not possible to make climate finance /ODA comparisons for ICI, Finnpartnership or research cooperation.



Annex 4: Methodological note on the sub-portfolio review and scoring

Purpose

To support greater depth and insight into the portfolio, a more detailed review of a subset of climate finance interventions was taken to explore evaluation questions and generate evidence around strategic alignment and results. This was done by using a review framework structured according to OECD DAC criteria (intervention relevance, coherence, efficiency, effectiveness, impact, and sustainability).

The purpose of the exercise was two-fold:

1. To provide an expert-led assessment of a significant sample on the strength of evidence available in key documents. This will allow for a high-level assessment of both portfolio relevance and alignment (EQ1), as well as provide evidence for results (EQ2).
2. To provide insights and identify evidence to support more detailed considerations for the case studies by identifying concrete achievements.

The Sub-portfolio review looks at the MFA-funded interventions against the OECD DAC-related statements considering the characteristics of different instruments. It does not an evaluation of each intervention or funding channel, but rather a systematic review of what the available documented evidence indicates about the strength and quality of the portfolio items.

Sampling

With the purposeful sampling approach (e.g. Patton 2015), a group of interventions that can provide information-rich data and analysis on the topics relevant to the evaluation describes the portfolio characteristics utilised in sampling and the related criteria. Within this portfolio, the evaluation interest is in the larger channels and interventions (in EUR). However, also considering the interest in adaptation and its linkages to Finland's cross-cutting principles, interventions of a smaller size are also included in the sample to ensure a balanced selection.



Table 18 Criteria for intervention sample selection

GUIDING CHARACTERISTICS	CRITERION
Type of climate change financing	Appropriate quota was set for each funding channel (Bilateral/regional, CSO/INGO, Investment instruments, Institutional cooperation, Multilateral instruments and PSI-grant).
Size of the interventions	The sample is selected among the larger interventions in each funding category. Interventions were identified as per the intervention ID (one intervention may constitute of multiple commitments spread over 2016–2022). In some cases of programme-based support and multilateral core funding, multiple IDs represent one intervention in the sample.
Relating to a case study	The selected interventions enable input to the evaluation case studies: <ul style="list-style-type: none"> • Private sector mobilisations (PSI and investment portfolio) • Adaptation and cross-cutting aspects • Institutional case study (ICI, CSO, academia, private sector) • Country case study (Tanzania, Vietnam)
Thematic/sectoral focus	The selection will reflect on the coverage of mitigation and adaptation-related interventions in line with the Rio Marker ³⁵ (indicative sub-sectors are considered): <ul style="list-style-type: none"> • Mitigation (relevant sectors such as Energy, Transportation, Industry, Forestry, Agriculture, Land use Waste) • Adaptation (relevant sectors such as Meteorology & disaster risk reduction, Agriculture, Food security, Water management, Forestry Fisheries)
Geography	Intervention selection considers the balance between Asia, Africa and global interventions.
Timing (2016–2022)	Timing of the selected intervention is considered.
Data availability	Data availability was considered during the selection process. Only changes to the original samples were made concerning two Finnfund projects. The original sample contained two projects that were replaced following a request.

Table 19 Initial matching of the portfolio sub-sample with the case studies

# OF INTERVENTIONS	# OF PSI CASE INTERVENTIONS	# OF ADAP-TATION CASE INTERVENTIONS ³⁶	# OF INST. CASE INTERVENTIONS	# OF INTERVENTIONS FOR COUNTRY CASE (IF TANZANIA)
49	16	14	10	4

Using this approach, a sub-sample of the portfolio has been identified consisting of 49 interventions, representing 69% of the total value of the portfolio (2016-2021). The portfolio has been designed to provide sufficient coverage. The following table sets out the profile of the sample by

³⁵ These categories follow the 'mitigation' and 'adaptation' related sectors in line with MFA's Rio marker guideline that also provides a generic guidance relating to the climate finance statistics. Note that sub-sector classification may not always be clear from available data.

³⁶ This figure includes those interventions that are explicitly marked as adaptation project.



channel and case study relevance. 'A sample intervention' were mainly defined by a unique Project ID assigned to the commitment/disbursement line in the portfolio. Some interventions consist of multiple decisions and documents. In the case of the programme-based support to the Finnish CSOs and some cases of core funding to multilateral actors, the sample intervention consists of multiple IDs. Two originally selected Finnfund interventions were replaced with alternative options.

Table 20 Portfolio assessment sub-sample by funding channel

BY CHANNELS	# OF INTERVENTIONS	COVERAGE OF THE PORTFOLIO (EUR MILLION)
Finnfund	7	40.76
Other dev pol invest	7	219.10
Bi/regional	7	20.52
Multi-core	7	128.70
Thematic/earmarked other	6	34.96
CSO /NGO	5	8.46
Institutional cooperation and research	5	2.14 (ICI) 0.49 (research)
PSI grant	5	0.82
Total	49	455.97

Scoring approach

Each intervention was given an expert scoring based on OECD DAC criteria-related review questions.

The scoring statements were as follows:

Relevance

- The project reflects and responds to Finland's climate change and development policies and priorities.
- The project reflects and responds to external priorities (national, regional) and/or international climate change commitments.

Coherence

- The project closely coordinates with, is complementary to or enhances to other Finnish development policy, diplomacy, investment or institutional activities.
- The intervention closely coordinates with and is complementary to other international efforts on climate change (e.g. projects, investments, TA, diplomacy).



Efficiency

- The intervention has (or is likely to) delivered its activities and outputs in a timely manner.
- The intervention is disbursing financially as expected.

Effectiveness

- The intervention has (or is likely to) delivered key climate outcomes and results as envisaged in the project design document.
- The intervention has (or is likely to) delivered on Cross-cutting objectives (gender equality or non-discrimination) or co-benefits (such as social and economic development (e.g. jobs)).

Impact

- Systems change: The project is likely to bring about long-term systemic changes (e.g. in policies, markets, financing, behaviours and mindsets).
- Scaling: The project is likely to facilitate wider scaling, replication or adoption of climate outcomes (e.g. technologies, behaviours, markets, finance).

Sustainability

- Project outcomes and results are likely to be sustained over the long run (e.g. financially, institutionally, policy and regulatory systems).
- Project outcomes are well aligned with and contribute to wider social, economic and environmental development processes.

In addition, each project was assessed on the following parameters:

- The intervention has a clear set of outcomes, criteria and/or indicators by which its success can be judged.
- Are there lessons learned and best practices that might be useful in the broader context of climate finance programming?

The scoring reflected the level of evidence identified within the sub-portfolio documentation available to the Evaluation team. The scoring was done against the template sub-questions.

The scoring approach relied on the strength of evidence available in the key documents. The key documents utilised for the sub-portfolio review were 1) MFA's internal project proposal ('hanke-esitys'), 2) Meeting minutes of the quality board review OR similar (if available), 3) project document OR similar 'description of contribution' and 4) progress reporting, final report and/or evaluation (when available). At times other available evidence was utilised.



The scoring approach considers the diversity of interventions, including development policy investments, private sector instruments and core funding to multilateral partners. These are naturally broad ranging in their scale and scope, so the exercise relied on the expert judgement of the characteristics to ensure a useful high-level comparison, even where the nature of the instruments is very different. Where possible, triangulation of scoring was undertaken where interventions are reviewed in more depth as part of a case study.

The investment portfolio was reviewed by looking at different types of units, e.g. in the case of Finnfund the intention ET looked at the individual intervention IDs that have been identified as climate funding. At the same time, some other contributions (e.g. HIPCA or IFC blended funding mechanisms are assessed as contributions to the wider mechanism or a pool).

The scores were given based on the degree the assessor agreed with the evaluative statement relating to the evaluation criterion based on the available evidence in key documentation. The justification for each score was recorded together with relevant quotes supporting the justification. The scoring was crosschecked within each funding instrument/channel category to ensure each score was accompanied by a sufficient justification. A checklist was developed for this purpose to ensure a calibrated approach to scoring.

Table 21 shows that a scale of 5 dimensions was utilised to state the degree the assessor agreed on the predefined criteria in the review template.

Table 21 Scoring scales

SCALE	SCORE VALUES GIVEN AT THE INTERVENTION LEVEL	AGGREGATION BY AVERAGE VALUES TO THE INSTRUMENT LEVEL
Strongly Agree	1	1.00 – 1.49
Agree	2	1.5 – 2.49
Disagree	3	2.5 – 3.49
Strongly disagree	4	3.5 – 4.00
Lack of Evidence	5	Excluded from aggregation

In addition, the Evaluation team established an additional scoring approach for the M&E system. As per the original template the availability of the M&E system was intended to be scored and yes/no. However, the coring exercise revealed that a more nuance review of the existing information on the M&E systems would help us better to understand whether the M&E systems and approach has sufficient indicators, particularly for climate change-related dimension.

Scoring on M&E system applied the scale 1-4:

1. Climate-related outcome(s)/indicator(s) and targets in place allowing judging progress,
2. Climate-related outcome(s)/indicator(s) in place but concerns related to the extent to which they allow judging success (no target(s) and/or concerns raised by an evaluation),
3. Indicators and/or outcomes in place, but none are climate-related,
4. No indicators or outcomes.



Aggregation

The numeric scores were entered in the portfolio data Excel sheet organised by the project ID and the disbursements data and other details regarding the portfolio. The prevalence of each score was counted and presented as bar diagrams within in the funding channel category. The average scores were calculated to provide an overview each criterion.

Review boundaries/limitations

- While the core set of documents to review was defined at the start of the exercise, the availability and completeness of intervention-level documentation varies significantly. The review teams aimed to utilise what was available. The review relied on the available evidence. E.g. scoring of coherence, sustainability and impact could be done based on the planning documentation regarding the documented intend and approaches for collaboration, planning for sustainability or credibility of the impact logic. Thus, one intervention could be scored based on the planning documentation and credible intent, while another project that had already ended was reviewed based on available evaluative evidence, which generally tends to give evidence of limitations than those without evaluation. This means for instance that because bilateral programmes have lots of evaluations available, the scoring is done based on those.
- Finnfund review relied solely on the assessment sheets that were filled in by the Finnfund team. The brief assessment provided by them appeared honest, stating some of the limitations and gaps. However, it is worth noting again that the data the review relied on varied significantly.
- Climate finance varies within each intervention from 10% to 100%. The scores are not emphasised by the EUR volume of climate finance in each instrument or intervention.
- The review relied on the availability of evidence. In many cases (e.g. sustainability) the scoring was done based on planning documentation/design for sustainability. However, considering that interventions are at different stages of the implementation, those interventions, which had an evaluation available, were scored based on the evaluative evidence of actual performance.
- The review of the relevance was limited to climate mitigation and adaptation dimensions. The scope of the exercise did not make it possible to review each intervention on the broad range of development policy principles guiding Finland's development cooperation. Cross-cutting objectives (gender equality and non-discrimination) were considered under the second criterion of effectiveness.
- The effectiveness was scored 5 if there wasn't any progress reporting of final reporting available to the evaluation team.
- Effectiveness analysis is mainly looking at the availability of evidence of climate-related results. When it was not possible to compare reported results to a set target or a benchmark, but list/evidence of achievements was available, this was scored positively as 2. Thus, the review does not consider the ambition level of each intervention. Many interventions lack targets at the level of this exercise (see also M&E scoring).



- Second effectiveness criterion looked at the evidence of 1) other development 'co-benefits' as well as 2) the gender and non-discrimination results. If one of these dimensions was well presented the intervention was scored 2 (agree).
- Evidence on efficiency sub-question on disbursements was scored 5 due to lack of access to comparable data on disbursements and commitments of climate finance or other project data.
- Scoring of sustainability and impact relied on the evidence in the planning documents. If evaluation or other assessments were available those were reviewed as well. Here again, the availability of post-assessments meant that interventions were scored based on evidence of different depth and accuracy (evidence of planning vs. realised achievements).



Table 22 List of interventions for sub-portfolio assessment

PROJECTNO.	PROJECT NAME	CLIMATE EUR (M)
89891974	Green Climate Fund; first replenishment (GCF-1)	71.56
89893118	12th Replenishment of the International Fund for Agricultural Development IFAD: Concessional Partner Loan (CPL)	15.77
29892471	ADF-15 Concessional Donor Loan	22.99
89892834	Finland-IFC Blended Finance for Climate Program	114.00
89891963	INT/Least Developed Countries Fund (LDCF)	11.00
80700183	IDA16 replenishment	20.17
18900424	European Bank for Reconstruction and Development High Impact Partnership on Climate Action	39.73
89849501	Adaptation Fund	7.00
89893051	World Meteorological Organisation	5.00
23816909	PIF Ethiopia: Improving meteorological observation infrastructure & forecasting capabilities of the National Meteorological Agency	4.96
SLE2009017	ODA equity through Finnfund	9.89
79812754	Asian Development Bank	16.00
76909124	Upgrading the Rainfall Storm and Lightning Detection Capabilities of National Hydro-Meteorological Service	5.65
80700181	African Development Fund	10.32
2013028	ODA equity through Finnfund	5.55
89893003	Nordic Development Fund	4.98
28924139	Energy and Environment Partnership Southern and East Africa Multi-donor Trust Fund	17.30
2012026	ODA equity through Finnfund	4.79
89892232	Forest & Farm Facility	2.66
58900301	Adapting to climate change in Oceania/S-E Asia	1.23
66014228	Rural Village Water Resources Management Project (III phase)	1.60
2009012	ODA equity through Finnfund	2.39
29891601	Impacts of climate change on ecosystems in Eastern Africa	1.00
67302615	Capacity Building in the Field of Meteorology	0.83



PROJECTNO.	PROJECT NAME	CLIMATE EUR (M)
28235874	Private Forestry Programme II in Tanzania	1.59
29891501	CGIAR - cooperation on agricultural research and education	0.50
81805001	INGO Aid to the International Union of Forest Research Organizations (IUFRO)	0.90
86501358	Nordic Green Bank (NEFCO)/Support to energy efficiency renewable energy and alternative type of energy sources in Ukraine Finland's Trust Fund	3.20
28924134	Sudan & South Sudan ICI: Promoting Adaptation to Climate Change Through Improved Services Phase II	0.50
29892301	INT/ICRAF Forestry Sector Cooperation	2.00
28816604	Oy BioSorbio Ltd	0.34
64516714	Climate Modelling and Observations in India. Institutional Cooperation Instrument (ICI) Finnish Meteorological Institute	0.32
2008017	ODA equity through Finnfund	3.06
79811201	Energy and Environment Partnership Programme with the Mekong Region	7.26
28235701	Support to private plantation forestry - Tanzania	5.84
89892636	Project support to the Global Alliance for Clean Cookstoves	0.36
2019042	ODA equity through Finnfund	16.79
2017022	ODA equity through Finnfund	6.72
28235767	LUKE INFORES Implementation of Forest Data in Tanzania	0.49
89890005	Global Environment Facility (GEF) 6th Replenishment (2017 support)	8.02
76405118	Finnpartnership programme	0.21
27311812	SLA Innovative Energy Solutions	0.15
66503208	Finnpartnership programme	0.08
28235849	Finnpartnership: Starting the project of solar panel and solar system production in Tanzania	0.05
89891985	Partnership for Market Implementation (PMI)	5.00
89886701	European Bank for Reconstruction and Development. Technical co-operation and special funds	1.80
	FELM	3.60
	SPR	1.98
	WWF	1.55



Annex 5: Sub-portfolio results

	RELEVANCE	COHERENCE	EFFICIENCY	EFFECTIVENESS	IMPACT	SUSTAINABILITY
CSO programme and project support	<p>Climate change mitigation objectives relate to through forest recovery efforts and clean cooking energy.</p> <p>Climate resilience in more prominent focus with CSOs.</p>	<p>Cooperation with Finnish actors is planned. The programme/intervention level reporting on realised cooperation on climate is limited.</p>	<p>Assessed based on generic efficiency/delivery of the programme. Overall, delays and reallocations were reported due to covid19, and in some cases due to field challenges, these were not considered a serious threat to the overall implementation.</p>	<p>Resilience and climate change adaptation results relate to early warning, climate-resilient agriculture, and restored forest areas/ sustainable forestry.</p> <p>WWF has attempted to calculate GHG savings.</p>	<p>Systemic changes relate to behaviour changes with some of the programmes highlighting (climate) education.</p> <p>Safer and healthier communities with early warning systems.</p> <p>While there is one success reported on cross-border environment related policy, these are less evident in relation to climate change.</p>	<p>At the programme level sustainability planning is elaborated and supported with different mechanisms (local partners, pooled funding, and policy level cooperation).</p>
	<p>All programmes are linked to local needs and consultation processes. National goals not always explicitly elaborated.</p>	<p>All programmes and interventions are building on their existing collaboration networks on the ground.</p> <p>WWF has an explicit environment/climate link.</p>	<p>Disbursement rates were not scored.</p>	<p>Co-benefits relate to livelihoods, some wash, health and clean air.</p> <p>Gender and inclusion aspects are integrated, with reported beneficiaries including persons with disabilities (PWDs) and women.</p>	<p>Limited evidence for scaling up and especially climate related solutions. Some evidence referred in relation to WWF.</p>	<p>Link to wider development is underlying the logic, while interventions are relatively small.</p>
<p>Other observations:</p> <ul style="list-style-type: none"> • WWF is a distinctive partner as one rare environmentally oriented CSOs in Finland's support to CSOs (in addition to Siemenpuu). MFA has noted WWF as (only) potential partner with sustainable natural resource innovation (not sure how much climate would be there) and cooperation with private sector. 						



	RELEVANCE	COHERENCE	EFFICIENCY	EFFECTIVENESS	IMPACT	SUSTAINABILITY
Multi-core	<p>Strongly agree.</p> <p>The relevance to Finnish climate goals in terms of mitigation and adaptation is well elaborated.</p>	<p>Linking the funding to Finland's policy influencing is the most prominent approach contributing to coherence and explicit alignment with other Finnish goals. Sequencing funding and longer-term support by Finland are another one.</p>	<p>Some of these mechanisms have reported delays due to covid and other delivery issues reducing the overall score for efficiency. In some cases due to limited reporting, no information is available.</p>	<p>While the comparison of achieved results with targets is not always available, multilateral core funding is set to deliver results in diverse areas. Mitigation results relate directly to reported GHG emission saving and/or clean energy solutions.</p> <p>Adaptation-related results are reported as a vague number of beneficiaries, early warning and disaster management systems, climate risk awareness, as well as policy/ National adaptation programmes of action (NAPA)/ NAP policy level work.</p>	<p>The pathways to more transformative impact are most explicitly present through efforts to influence policy (especially adaptation related) and through accelerating financing (e.g. the Nordic Development Fund, NDF).</p>	<p>Continued financing and leveraging new finance play a role in enhancing sustainability.</p>
	<p>Most mechanisms are explicitly aligned with national climate change commitments/strategies or policies.</p>	<p>(assumed with multis) NDF has a distinct Nordic linkage.</p>	<p>The disbursement rate has not been scored.</p>	<p>Co-benefits relate to livelihoods, job creation, food security, wash, health, and policy/public systems strengthening.</p> <p>Environment-focussed mechanisms (GEF core and GEF LDC) also have biodiversity and land degradation related results areas.</p> <p>While other mechanisms show the integration of relevant CCO dimensions, GEF and GCF are also evaluated weaker in its gender equality and inclusion approaches.</p>	<p>All mechanisms/funds have either intended approaches to scale-up solutions or they have reported examples of scaling up. Financing from other sources was also seen as an integral part of scaling up.</p>	<p>These large mechanisms are generally set to contribute to larger environmental (e.g. GEF, GCF) or socio-economic changes (adaptation-focussed funds). Some potential linkages relate to social well-being.</p>
<p>Other observations:</p> <ul style="list-style-type: none"> • IDA, LDCF and AF all have a window for the private sector, which is interesting considering the strong focus on LDCs. • Interesting coherence considerations are with the NDF and their strong Nordic agenda. • Increased funding to multilaterals focusing on adaptation is seen as a strategy to respond to 50/50 goal on adaptation. Finland being part of the adaptation finance champions is aligning with the justifications to boost funding for multis with an adaptation focus. • GCFs challenges reported in meeting the transformative ambition and intended climate impacts. Sustainability challenges relate to GEF as well. 						



	RELEVANCE	COHERENCE	EFFICIENCY	EFFECTIVENESS	IMPACT	SUSTAINABILITY
Multi thematic	The contributions to the thematic funds are relevant to Finland's climate change and development policy. Strong relevance to mitigation and energy. While CREWS and FFF focusing on adaptation/resilience aspects.	Coherence with other Finnish activities relates mainly to the potential link to private sector (e.g. via Finnfund, NEFCO).	Delays experienced varied from none to minor delays due to covid 19 to significant implementation issues in the Eastern Europe-related Energy Efficiency (EE funds)/ interventions.	While programme-level targets or projections are rarely available to enable comparison, diverse results have been reported (quantitative); e.g. clean energy capacity, GHG savings, access to early warning, people supported to cope with climate impacts. Challenges in effectiveness were related to delivering EE results in Ukraine/Eastern Europe (NEFCO and E5P).	World Bank's PMI project is distinct in its efforts and results in introducing carbon pricing approaches to countries to reduce GHG emissions. Other more transformative changes promoted are private sector driven clean energy transition, or policies transforming forest sector.	Sustainability scores are based on a mix of planned and evaluated sustainability findings lacking solid evidence to state strongly about these aspects.
	National climate change priorities and commitments are reflected at different depths. Some examples of clean energy focussed mechanisms that do not explicitly consider national climate goals (e.g. on mitigation).	Coherence with other actors is considered strong in this multilateral mechanism.	The disbursement rate has not been scored.	Job creation, access to energy, environmental benefits in forest and natural resource management. The level of integrating gender equality and inclusion objectives vary. It's not explicitly elaborated in some Energy related funds or in policy-related work. However, all actors have statements and principles on climate change aspects relevant to Finland.	The evidence of scaling up solutions and financing are divided. Approximately half considering scaling up solutions and financing.	Wider social, economic and environmental development processes related to energy transition (such as EEP, PMI), early warning, and sustainable agroforestry. All with very different contextual drivers and barriers.
	Other observations: <ul style="list-style-type: none"> • Versatile group of interventions. • World Bank's PMI intervention supporting the carbon pricing system is a distinctive intervention to other thematic funds. 					



	RELEVANCE	COHERENCE	EFFICIENCY	EFFECTIVENESS	IMPACT	SUSTAINABILITY
Investments / Loans	<p>Strongly agree.</p> <p>A mix of donor loans, fund contributions and concessional credits (including PIF) show relevance to Finland's climate-related objectives. Mitigation is slightly more emphasised.</p>	<p>The coordination and (implicit) coherence with other Finnish activities relate to the potential link to the Finnish private sector. ICI linkages are seen explicitly in concessional credit and PIF.</p> <p>In the case of AfDF and IFAD contribution, there wasn't an explicit link to Finnish policy influencing.</p>	<p>All interventions and fund/ loan entities reported some delays (including due to COVID-19). In most cases, these delays did not indicate serious consequences to overall performance (Only IFAD, IFC, and Vietnam Concessional Credit portfolios indicated more serious delays).</p>	<p>Progress relates to saved GHG emissions (IFC, IFAD, ADB vent). Two concessional credit projects have contributed to high a number of beneficiaries under better early warning systems.</p> <p>Climate-smart agriculture and land management-related mechanisms have large number of beneficiaries.</p> <p>AfDF reporting on climate relate to strategic approaches to integrate climate consideration in their portfolio (of 2 pillars) and providing specific climate policy support to the counties.</p>	<p>The anticipated systems change pathways of the loan and fund mechanisms related to technology transfer by removing market and financing barriers (e.g. risk financing). At the same time private sector development forms a potential in demonstrating more systemic impact.</p> <p>Another impact pathway is in removing the policy barriers through engagement and support to governments.</p> <p>(country-specific concessional credits rely on 'capacity building' path of national partners)</p>	<p>Despite some lack of explicit discussion on sustainability, 'blended' nature of financing indicates intended financial sustainability (e.g. IFC, HIPCA, ADB).</p> <p>(the country-specific concessional credit projects lack confidence in sustainability, national capacity building is the main driver, risks are identified for sustainability)</p>
	<p>In most cases, national relevance relating to climate ambitions is considered. Some exceptions (ADB ventures, Vietnam concessional credit) are not linking the portfolio explicitly with national climate-related objectives, but these links are to some extent assumed.</p>	<p>For funds/loan mechanisms, this is assumed high.</p> <p>In case of concessional credit and PIF linkages are discussed at the planning stage, but the realisation of these linkages is not reported.</p>	<p>Disbursement rate not scored.</p>	<p>Co-benefits of the fund/ loan investments have the potential to be vast.</p> <p>Gender equality and inclusion aspects are visible in all but IFC-Finland blended finance instrument.</p>	<p>Scaling is a built-in strategy of technology transfer interventions (e.g. on cleaner energy) in these mechanisms.</p> <p>(country-specific concessional credits have a less obvious approach in scaling up/technology adoption)</p>	<p>The programmes and strategies of these mechanism align with especially energy sector transformation (while not limited to this).</p>
<p>Other observations:</p> <ul style="list-style-type: none"> • Considering that mitigation is emphasised in the large investment portfolio, to be considered Finland's role in advancing adaptation/resilience financing. • It will be interesting to consider investment examples on adaptation, e.g. IFC-Finland blended funding mechanism has a portfolio on climate resilience. • IFC-Finland blended finance instrument invests in projects that have high potential in contributing to outcomes for inclusion. However, such narratives are absent from all the documentation regarding the investment (MFA memo, programme document, reporting). • While the geographic focus was not assessed in the project reviews, increased interest to utilise investment mechanisms in LDCs requires attention. 						



	RELEVANCE	COHERENCE	EFFICIENCY	EFFECTIVENESS	IMPACT	SUSTAINABILITY
PSI Grant	All small-scale business funding projects were relevant to Finland's climate-related development policy aims. Lower scores relate to interventions that were fully restructured from their original idea.	While the newer format has a section for collaboration, linking the PSI grant with other Finnish activities was extremely limited. Finnfund, other Finnish experts, business council networks mentioned.	Variation from minor covid-19 induced delays to major delays limiting the ability to deliver planned pilots.	Climate outcomes of small-scale piloting projects are unlikely to be available at early stages. 1 out of 5 sample projects is demonstrating clean energy results (installed solar panel) and two other ones.		Sustainability is supported through the intended business case or leverage of other funding.
	Older grant formats did not require a very detailed level of information about the context. Newer interventions linked the projects to relevant national strategies or goals on climate.	External collaboration has not been elaborated. One case elaborated on the established links to the UN and other potential buyers.	Disbursement rate not scored.	While only fully realised if pilots succeed most co-benefits relate to jobs and income. Cross-cutting objectives (gender equality and inclusion) are limited but considered as context factors or through participation.	As small-scale and early-stage business piloting projects the scaling up intention is built into the logic.	While far-fetched at the early stage of innovations, the sample projects link to wider green transition (through goals relating to cleaner production and energy).
<p>Other observations:</p> <ul style="list-style-type: none"> • Despite the relatively low scores, PSI grants are small-scale business grants (Finnpartnership). 						



	RELEVANCE	COHERENCE	EFFICIENCY	EFFECTIVENESS	IMPACT	SUSTAINABILITY
Bi-Regional	All interventions are relevant to climate mitigation or adaptation objectives. Forestry-related interventions demonstrate increase consideration of climate aspects.	The linkages to other Finnish interventions are often mentioned and planned. When reporting and evaluations are available, those links are not always reported.	All interventions faced some delays, varying from minor no-cost extensions due to covid-19 to conflict-induced more significant delays.	Climate Outcomes of bilateral and regional interventions can be divided into those that: -did not set targets on GHG but reported on them; -set targets on GHG achieved them or not; -reported proxies for climate results (e.g. forest/vegetation coverage); - Did not report/monitor outcomes but had good delivery of outputs indicating progress towards climate outcomes (e.g. resilience, and capacity).	Systemic changes of bilateral programming relate to those contexts where the 'operating environment' and policies (at different levels) are being influenced. Challenges of monitoring outcome-level behavioural change are noted (related to agricultural interventions).	Some aspects of sustainability appear to be present in many interventions, but these are not thoroughly planned (exit plans rarely mentioned). Indications of sustainability rely on either financial aspects or based on local ownership.
	National climate commitments are mostly addressed (in the case of some forestry programmes these).	The same applies to international partners, project planning contains relatively comprehensive consideration of other actors but reporting stage show limited actual involvement.	Disbursement rate not scored.	In most cases, cross-cutting aspects are evident in the documentation (gender and inclusion aspects). In many projects, sustainable forestry and livelihoods are the main purpose of the project, and climate outcomes are 'co-benefits'. Other outcomes related to food security, income, and livelihood benefits (via climate-resilient agriculture, forestry, early warning).	Scaling up and replication introduced solutions or practices were scored low in over half of the interventions.	Diverse linkages exist with wider development context e.g. in forestry, green energy, early warning-related intervention
<p>Other observations:</p> <ul style="list-style-type: none"> • WASH, livelihoods, and forestry projects can have other than climate focus. Represent very much mainstreamed interventions. • Adaptation benefits are interlinked with other development benefits. 						



	RELEVANCE	COHERENCE	EFFICIENCY	EFFECTIVENESS	IMPACT	SUSTAINABILITY
ICI and research	While agricultural and forestry-related research is primarily other than climate objectives, overall all interventions are highly relevant to Finland's climate objectives.	All ICIs are linked to other Finnish interventions or are sequenced as a follow-up projects. Diverse links are acknowledged, and some have also been realised.	All projects faced some delays 3/5 were considered more serious affecting the overall performance of the projects. The reasons related security situation (in SS), issues with national partners, and coms issues.	The climate results relate to the capacity of national partners in utilizing meteorological systems and data, forestry inventory data and air quality data. Thus climate results relate to increased adaptive capacity in a way.	Systemic changes relate to the potential of data for influencing policy. Overall the system change is expected by influencing the capacity of key public actors/ organisations.	Sustainability was presented with some challenges in all cases.
	Some of the ICI and research projects are not explicitly linked to national climate objectives or strategies.		Disbursement rate not scored.	Co benefits relate to local livelihoods, food security.	Evidence on scaling up solutions or practices relating to climate seems to be non-existing. India-related ICI had indications of seeking for funding.	
Other observations: <ul style="list-style-type: none"> While this category contains only one research project, research cooperation is also implemented under bilateral cooperation and CSO support. 						



Annex 6: List of people consulted

MFA STAKEHOLDERS	POSITION	NAME
Department for Africa and the Middle East (ALI)	Programme Officer	Elina Leväniemi
	Senior Adviser, Development Policy	Arto Valjas
Department for Americas and Asia (ASA)	Development Policy Advisor	Sanna Takala
	Desk Officer (Nepal, Bangladesh, Bhutan), previously Senior Adviser, Development Policy, HRBA	Tiina Markkinen
	Programme Officer	Lotta Pennanen
Department for Development Policy	Deputy Director General	Juha Savolainen
	Senior adviser, Development policy, Gender equality	Krista Orama
	Senior adviser, Development Policy, Non-Discrimination and Disability	Heli Mikkola
	Director	Eevamari Laaksonen
	Senior Officer	Tiina Kajakoski
	Project Officer	Merja Luostarinen
	Programme Officer	Maiju Palosaari
	Team Leader	Oskar Kass
	Team Leader	Irene Leino
	Director	Anna Merrifield
	Director	Ramses Malaty
	Programme Officer	Jasper Hakala
	Senior Officer	Veera Ilja
	Senior Adviser, Development Policy	Annamari Tornikoski
	Previous climate Ambassador, now Ambassador, Senior Adviser Mediation	Jan Wahlberg
	Desk Officer, AfDB and IFAD	Heini Pulli
	Senior Adviser, Development Policy	Annika Kaipola
	Team Leader, Team for Multilateral Development Banks	Anu Hassinen
	Desk Officer	Johanna Pietikäinen
	Senior Adviser, Development Policy	Outi Myatt – Hirvonen
Director	Ramses Malaty	
Senior Adviser	Saana Ahonen	
Senior Adviser, Development Policy, Forest Questions	Vesa Kaarakka	



MFA STAKEHOLDERS	POSITION	NAME
Eastern Europe and Central Asia (ITÄ-20)	Senior Adviser, Development Policy	Matti Väänänen
Finnish Embassies	Position	Name
Embassy of Finland Hanoi	Development Counsellor	Maija Seppälä
Embassy of Finland Tanzania	Head of Cooperation	Juhana Lehtinen
	Coordinator, Development Cooperation	William Nambiza
	Counsellor, forestry and Innovations	Heini Vihemäki
	Previous Advisor in the Embassy, currently Consultant involved in the Forest Programme design	Kari Leppänen
	Head of Cooperation (Previous)	Timo Voipio
Other governmental stakeholders	Position	Name
MoECC	Senior Ministerial Adviser	Marjo Nummelin
MoE	Ministerial Adviser	Saija Vuola
MoF	Director, Head of International Financial Affairs	Pekka Morén
CSOs & UN	Position	Name
FAO	Assistant FAOR Programme	Charles Tulahi
	FAO Representative in Tanzania	Nyabenyi Tito Tipo
	Coordinator FFF Programme	Geofrey Bakanga
	Assistant Forest Programme Officer	Nixon Earl
	Programme Officer	Silvia Tirweshobwa
FELM	Leading Advocacy Specialist	Niko Humalisto
	Climate Finance Advisor	Ruusa Gawaza
	Regional Director	Teressa Juhaninmäki
	Programme Officer, Tanzania	Anna-Kaisa Kähkölä
Fingo	Adviser, Climate	Emilia Runeberg
Finnis Red Cross	Head of Unit, Knowledge Development and Advocacy	Suvi Virkkunen
	Senior Specialist on Climate Change and Disaster Risk Management	Paula Uski
UN Women	Executive Director	Jaana Hirsikangas
UNDP Tanzania Country Office	Programme specialist on climate change and energy	Abbas Kitogo
WWF	Programme Director	Anne Tarvainen
	Development Co-operation Expert	Henna Tanskanen
	Previously with WWF Tanzania	Geofrey Mwanjela
	Conservation Manager	Lawrence Mbwambo
	Programme Director	Bernt Nordman



MFA STAKEHOLDERS	POSITION	NAME
Finnish Development Funding Institutions	Position	Name
Business Finland	Commercial Counsellor, Senior Advisor	Trang Nguyen
	Senior Director, Strategic Insight, member of DPC	Annabella Polo
	Commercial Counsellor	Esa Rantanen
Finfund	Senior Development Impact Advisor	Marko Berglund
	Head of Impact	Juha Uusihakala
Finnpartnership	Programme Director	Birgit Nevala
Other Finnish stakeholders	Position	Name
BioSorbio Ltd.	CEO	Jukka Lunden
Development Policy Committee	Secretary General	Marikki Karhu
	Climate Action Specialist in Finn Church Aid	Aly Cabrera
Finnish Meteorological Institute	Head of Group, International Projects	Matti Eerikäinen
	System Analyst	Sami Kiesiläinen
	Senior Specialist & Project Manager, Air Quality & Energy	Jenni Latikka
	Head of Unit, Expert Services	Harri Pietarila
Food and Forest Development Finland	Executive Director	Tiina Huvio
	Climate and Forestry Expert	Noora Simola
Geological Survey of Finland	Head of International Projects	Phillipp Schmidt-Thomé
Finnish Institute of Public Management (HAUS)	Senior Advisor (previously Advisor in Uongozi institute 2021-2022)	Konsta Heikkilä
Luke (Natural Resources Institute Finland)	Research Scientist	Pentti Niemistö
	Research Manager, Senior Scientist	Mila Sell
	Senior Scientist	Pia Katila
SYKE (Finnish Environment Institute)	Head of International Expert Services	Tea Törnroos
Vaisala Ltd.	Project Manager	Esa Kurula
University & Academia	Position	Name
Academy of Finland	Senior Science Adviser	Mikko Ylikangas
Finnish National Agency for Education	Programme Manager	Sini Piippo
	Chief Specialist	Kaija Pajala
Häme University of Applied Sciences	Principal Research Scientist	Eija Laitinen



MFA STAKEHOLDERS	POSITION	NAME
University of Helsinki	Research Director, Professor Emeritus	Markku Kanninen
	Project Manager/Project Leader, University Lecturer	Diploy Chakma
	Professor, Global Development Studies	Anja Nygren
	Research Coordinator, Geoinformatics	Tino Johansson
	Professor of Geoinformatics	Petri Pellikka
Consultancies	Position	Name
Finnish Consulting Group	Previous ICI Consultant	Marja Laine
	Previous ICI Consultant	Jorma Peltonen
	Home Office Coordinator - RVWRMP III	Pamela White
Niras	Senior Consultant	Åsa Wallendahl
	Senior consultant, CoWASH (Ethiopia) (SUSWA, Nepal)	Mikaela Kruskopf
	Environment and Climate Risk and Water Safety Specialist, CoWASH	Mussie Hailegeorgis
Saliens Ltd.	CEO of Saliens Ltd., ICI Consultant	Kristiina Lähde
Development Banks	Position	Name
Asian Development Bank	Advisor	Saumya Kailasapathy
European Bank for Reconstruction and Development	Advisor HIPCA	Waqas Bately
International Stakeholders	Position	Name
Canadian International Development Agency	Deputy Director	Connie Tulus
	Advisor	Aarsi Sagar
Embassy of Norway	Counsellor, Agriculture, Climate, and Environment	Odd Eirik Arnesen
	Programme officer, Agriculture Climate Change and Research	Yassin Bakari Mkwizu
Embassy of Switzerland	Programme Officer, Employment and Economy	Clara Melchior
EU delegation	Programme Officer	Mathew Mpanda
Forum Climate Change	Head of Programmes	Msololo Onditi
	Executive Director	Sarah Nasson Ngoy
Green Resources	CEO (previously with Kilombero Valley Teak company)	Hans Lemm
International Finance Corporation	Advisor	Jussi Tapio Lehmusvaara
	Manager IFC Blend Finance Unit	Kruskaia Sierra-Escalante
	Principal Investment Officer	Pranab Ghosh
MFA Sweden	Advisor	Nicki Khorram Manesh
Nordic Development Fund	Fund manager EEP (Africa)	Jussi Viding



MFA STAKEHOLDERS	POSITION	NAME
Sida	Development Finance advisor	Zahra Ayadi
Swiss Development Cooperation	Advisor	Matthias Backman
Tanzanian Officials	Position	Name
Forestry and Beekeeping Division in MNRT	Director of Forestry and Beekeeping Division	Deusdedith Bwoyo
Ministry of Natural Resources and Tourism	A Forest Expert	James Nshare
President's Office Regional Administration and Local Government (PORALG)	FORVAC steering committee member	Rogasian Philip
Tanzania Forestry Services Agency	Steering committee member FORVAC and PFP	Mariam Mrutu (written inputs)
Vice president's Office, Division of Environment	Director	Andrew Komba
Implementors of Interventions	Position	Name
FORVAC Project	Chief Technical Advisor – FORVAC project	Peter O'hara
	International Monitoring, Evaluation and Communication Expert	Nette Korhonen
Indufor, FORVAC project	Home Office Coordinator, PFP2 project	Thomas Selännemi
Indufor, PFP Project (previously)	Senior Advisor (previously M&E officer PFP)	Arttu Pienimäki
PFP2 Project	Chief Technical Advisor	Michael Hawkes
	M&E Officer	Davis Chidodo
Tanzania Forestry Research Institute (TAFORI)	Research Coordinator	Elisha Elifuraha Njoghom



Annex 7: Detailed Evaluation Matrix

This table sets out the questions for the individual case studies and their alignment with the overall evaluation matrix into which they will feed.

	MAIN QUESTION	PRIVATE SECTOR CASE	ADAPTATION CASE	INSTITUTIONS CASE	COUNTRY CASE
EQ.1. To what extent is the Finnish international climate finance relevant to and coherent with global development and climate agendas and the priorities of those involved and affected?					
1a.	<i>Drivers of strategic choices:</i> What are the strategic policy objectives and other influences (e.g. institutional, political, economic, social) that guide Finland's climate finance allocation and assessment processes and how well are these reflected in the portfolio?	What have been the primary drivers and influences in shaping the approach towards private sector mobilisation and sector development within the climate finance portfolio? How well is the strategy reflected in the instruments and how well integrated are DPI with other efforts on private climate finance mobilisation?	What have been the primary drivers influences in terms of framing the approach towards climate finance adaptation, HRBA and cross-cutting objectives? How well is strategy reflected in the choice of instruments and programming?	To what extent and in what ways have Finnish interests and institutions shaped the direction and allocation of Finland's Climate Finance? How well are these reflected in the portfolio?	Which institutions or processes influence the strategic direction, programming scope and selection of funded interventions at the country level (both bilateral and multilateral). How well are these reflected in the portfolio?
1b.	<i>Relevance to global and developing country objectives:</i> To what extent and in what way does Finnish climate finance respond to priorities at the global and developing country level?	To what extent have Finland's efforts to scale private finance responded to global and developing country interests and needs?	To what extent has Finnish climate finance adaptation programming responded to global and developing country priorities?	Where there is a strong Finnish 'footprint' in the climate finance portfolio, is this clearly aligned with global and developing country interests on climate change or other development priorities?	To what extent and in what way has Finnish climate finance at the country level responded to national climate priorities and objectives (government, private sector, civil society)? Are these aligned with wider global objectives?
1c.	<i>Coherence with wider Finnish climate diplomacy and development policy objectives:</i> To what extent does Finnish climate finance seek to align with and support the wider development policy and climate diplomacy agenda?	How well integrated and aligned are Finland's private sector instruments with wider efforts around development policy and climate diplomacy?	Has Finnish climate finance adaptation programming been effective in supporting wider development policy or climate diplomacy objectives?	To what extent have Finnish interests in the climate finance portfolio been able to contribute or added value to climate diplomacy or wider development policy objectives?	To what extent has Finnish climate finance supporting climate diplomacy, and wider development policy influencing in the country context? Is there a regional dimension to this?



	MAIN QUESTION	PRIVATE SECTOR CASE	ADAPTATION CASE	INSTITUTIONS CASE	COUNTRY CASE
1d.	<i>International complementarity:</i> To what extent and in what way are Finnish climate finance activities comparable and consistent with, or complementary to other bilateral, multilateral donors and international financial institutions (IFIs)? How does Finland add value?	How and to what extent do private sector instruments integrate with, complement, and enhance efforts by other donors and multilateral and IFIs to support private finance mobilisation and private sector development? What are the perceived strengths and added value of Finland's approach?	To what extent have Finnish climate finance adaptation programming and efforts to mainstream HRBA and cross-cutting objectives aligned with and been complementary to other multilateral efforts on climate change. What are the perceived strengths of Finland's approach	Have Finnish institutions and capabilities been able to add value to wider multilateral efforts to address climate change?	To what extent are Finnish climate finance activities complementary to/aligned with other bilateral, multilateral donors and international financial institutions (IFIs) at the country level? What are the perceived strengths of Finland's climate finance among partners (govt, development partners)?
1e.	<i>Domestic complementarity:</i> What are Finland's domestic strengths that could be relevant to climate finance? To what extent and in what way does Finnish climate finance seek to engage, respond to and leverage Finnish capabilities, strengths and institutions in its design and delivery?	To what extent and in what ways do private sector instruments and wider development efforts leverage Finland's institutional capabilities and expertise (financial, institutional)?	To what extent and in what ways does adaptation programming leverage domestic institutional strengths and national capabilities?	To what extent and in what way does Finnish climate finance seek to engage, respond to and leverage Finnish capabilities, strengths and institutions in its design and delivery?	How do the country-level interventions reflect Finnish priorities, added value and capabilities? How does this differ by types of institutional modalities and instruments? (both bilateral and multilateral)?
EQ.2 To what extent has Finland's climate finance portfolio delivered results over the period 2016-22?					
2a.	<i>Efficiency:</i> To what extent has the Finnish climate finance portfolio been delivered in a timely and efficient way?	How efficient have private sector instruments been in implementation (timeliness of financial commitments, disbursements, results)?	How efficient has the adaptation portfolio been in disbursement and delivery? Have there been any particular challenges?	Have Finnish Institutions been able to implement their interventions in an efficient way (timely disbursement, delivery)? Have there been any particular strengths and weaknesses (e.g. local presence, knowledge, expertise)?	To what extent has Finnish climate finance been delivered in a timely and efficient way in country? How has this impacted on results?
2b.	<i>Effectiveness:</i> What have been the key climate outcomes and achievements of Finland's climate portfolio during 2016-2022?	What have been the key climate outcomes of private sector instruments, particularly on GHG mitigation? Have there been any climate adaptation outcomes?	What have been the key outcomes in terms of climate adaptation from the climate finance portfolio?	What have been the key climate outcomes facilitated by Finnish institutions participating in the climate finance portfolio? In what ways have they been effective?	What have been the key climate outcomes at the country level from Finland's climate finance portfolio 2016-2022?
2c.	<i>Impact:</i> To what extent is there evidence of transformational change impacts as a result of Finnish climate finance?	Have the private sector instruments been able to deliver or contribute towards transformation change outcomes, particularly on GHG mitigation?	Have Finnish climate adaptation interventions been able to support transformational change (both on adaptation and HRBA and cross-cutting objectives)? What has been the Finnish contribution?	Have Finnish institutions been able to contribute to transformational change outcomes? Is this linked to Finnish competencies and strengths?	Is there evidence of transformational change at the country level as a result of Finland's climate finance? What has been Finland's contribution relative to others?



	MAIN QUESTION	PRIVATE SECTOR CASE	ADAPTATION CASE	INSTITUTIONS CASE	COUNTRY CASE
2d.	<i>Sustainability:</i> To what extent is there evidence of wider sustainability of outcomes and impacts in Finland's Climate Finance portfolio?	Is there evidence that private sector efforts are likely to be sustainable over time (e.g. supporting transition to market-based approaches, non-concessional finance, supportive regulation)	Is there evidence that adaptation outcomes and impacts are likely to be sustainable over time?	In what ways have Finnish institutions sought to support the sustainability of outcomes over time (e.g. ongoing relationships and networks)?	Are outcomes in the country context likely to be financially and institutionally sustainable over time, and aligned with wider socio-economic development trends?
2e.	<i>Cross-cutting:</i> Overall development objectives, HRBA and cross-cutting objectives: To what extent has the climate finance portfolio delivered on poverty alleviation, human rights, gender, non-discrimination and other cross-cutting objectives?	To what extent are HRBA and Finland's overall and cross-cutting objectives reflected in private sector instruments.	How effectively has the adaptation portfolio been able to support poverty alleviation, HRBA and cross-cutting objectives (e.g. gender, non-discrimination)?	To what extent has the involvement of Finnish institutions been critical to supporting HRBA and overall and cross-cutting objectives (e.g. gender, non-discrimination)?	What evidence is there of the climate finance portfolio supporting HRBA and the achievement of Finland's overall and cross-cutting objectives (e.g. poverty alleviation, gender, non-discrimination and co-benefits (economic, social, environmental)) in the country context?
2f.	<i>Private sector:</i> How effective has Finland's climate finance portfolio been in promoting financial mobilisation and wider private sector development?	How effective has Finland's private finance instruments been in achieving financial mobilisation and wider private sector development? What are the opportunities and constraints?	Are there examples of how the adaptation portfolio has helped support private finance and private sector development and with what success?	How have Finland's strengths in private sector been utilised to support the climate finance portfolio and with what results?	How effective has Finland's climate finance portfolio been in promoting financial mobilisation and wider private sector development in the country context?
2g.	<i>Outcomes for Finnish stakeholders:</i> What have been the key benefits for Finnish stakeholders as a result of participating in or engaging with the climate finance portfolio?	What have been the benefits for Finnish stakeholders from the use of private climate finance instruments?	Have there been any benefits to Finnish stakeholders as a result of the adaptation portfolio, and if so, which?	What have been the key benefits for Finnish stakeholders as a result of participating in or engaging with the climate finance portfolio?	Have there been any wider benefits for Finnish institutions or other interests within the country context as a result of the climate finance portfolio?
2h.	<i>Synergies at country level.</i> What has been the level of alignment and synergies at country level from different climate finance instruments and channels, and have efforts supported the delivery of country programmes and policy influencing more broadly?	To what extent and in what ways has private finance aligned with and supported wider climate finance activities at the country level, as well as regional/country programmes?	Is there evidence of synergies between adaptation interventions at the country level, and if so, with what benefits? How have they supported wider country and regional programmes?	How and in what way have Finnish stakeholders been able to collaborate to enhance country level engagement, or contribute to country/regional programmes?	What has been the level of alignment and synergies at country level from different climate finance instruments and channels, and have these created benefits beyond those of the individual interventions and programmes (e.g. to country, regional programmes)?



	MAIN QUESTION	PRIVATE SECTOR CASE	ADAPTATION CASE	INSTITUTIONS CASE	COUNTRY CASE
2i.	<i>Influencing and multilateralism:</i> How effectively and in what way has Finland influenced multilateral partners who receive Finnish climate finance?	To what extent and in what way has the Finnish government been able to influence multilateral partners collaborating on private climate finance initiatives?	To what extent has Finland been able to influence the adaptation, HRBA and cross-cutting objectives of multilateral partners receiving climate finance?	Have Finnish institutions been able to help influence the use of multilateral climate finance to support domestic objectives?	How and with what success has Finland been able to influence the policies and approach of national government, other stakeholders in the country context (incl. multilaterals)?
2j.	<i>Barriers and lessons learned:</i> What have been the barriers to delivering results across the portfolio and what lessons and best practices can be identified that can support effectiveness and impact?	What are the key barriers that have been encountered in mobilising and delivering private finance and in supporting broader private sector development? What lessons can be learned?	What have been the barriers to achieving adaptation, HRBA and cross-cutting objectives at the intervention level? What are the lessons that can be learned?	What have been the key challenges for Finnish institutions in delivering results within the climate finance portfolio? What are the lessons that can be learned?	What have been the barriers to delivering results at the country level and what lessons and best practices can be identified that can support effectiveness and impact?
2k.	<i>Quality of target setting and results management:</i> How robustly and consistently are targets set, and results measured and/or reported?	How effective is the approach to target setting and results management among private sector instruments, and more broadly to private sector development? Are there issues around confidentiality and transparency?	How consistent and useful are adaptation targets and reporting? What are the challenges?	How effectively have Finnish institutions been able to capture and report on results and benefits. Are benefits to Finnish interests adequately documented?	How effective is the monitoring and reporting system in supporting country level performance?
EQ.3 Over a five-year period, how can Finland ensure that its Climate Finance Action Plan evolves to remain relevant, credible, influential and impactful? (Recommendations)					
3a.	What can the MFA learn from its peer organisations as well as from emerging international 'best practices' and trends in climate finance delivery?	Are there any best practices that can be identified in private finance mobilisation and sector development among peer donors and other stakeholders?	Are there any best practices that can be identified in adaptation, HRBA and cross-cutting objectives among peer donors and other stakeholders?	Are there examples of how other countries involve and promote their domestic interests within the climate finance portfolio and what are the opportunities/challenges?	How do donors and IFIs approach and cooperate on climate finance in the country context to maximise results? What can Finland learn from this?
3b.	What are the scenarios for evolution of climate finance strategy and portfolio (in terms of scale and structure) and what are the associated benefits, synergies and trade-offs? To what extent would these meet developing country needs, international obligations and partner expectations?	How might the approach to supporting private finance mobilisation and sector development be evolved to make it more effective and what would be the implications? How might these be sized and structured?	How might the approach supporting adaptation, HRBA and cross-cutting objectives be evolved to make it more effective and what would be the implications? How can related aspects such as biodiversity and nature-based solutions (NBS) be addressed? How might adaptation investments be sized and structured?	How might Finnish interests be better leveraged and enhanced within the climate finance portfolio? Are there any potential improvements (e.g. in structure or scale)? What are the potential opportunities and trade-offs?	How might the approach to climate finance at the country level evolve to become more effective? How can Finland become a more effective partner? What level of climate finance would be needed to meet partner expectations and country-level needs?



	MAIN QUESTION	PRIVATE SECTOR CASE	ADAPTATION CASE	INSTITUTIONS CASE	COUNTRY CASE
3c.	How can the portfolio maintain, strengthen and leverage Finland's competencies, expertise and value-add?	How might Finnish expertise and institutions be better reflected in the private sector portfolio and what benefits would this bring?	How might Finnish expertise and institutions be better reflected in the adaptation portfolio and what benefits would this bring?	(As above) How might Finnish interests be better leveraged and enhanced within the climate finance portfolio? Are there any potential improvements (e.g. in structure or scale)? What are the potential opportunities and trade-offs?	What opportunities exist to further leverage Finnish competencies and value-add at country level?
3d.	What might be the resourcing implications and how can MFA staff be best deployed to maximise impacts and influence across different types of interventions and partnerships?	What human or other resources might be needed to enhance the design, delivery and monitoring of private sector instruments	What human or other resources might be needed to enhance the design, delivery and monitoring of adaptation, HRBA and cross-cutting objectives.	What might be the resource implications of greater engagement with Finnish interests within the climate finance portfolio. How might these be aligned with needs across other development areas?	What resources are needed to adequately develop, manage and monitor climate finance at the country level (both bi- and multilateral programming)?



Annex 8. Summary of findings from the NAOF and DPC reviews

The following sets out the key findings identified in the earlier NAOF and DPC reviews

SOURCE	MAIN FINDINGS AND KEY POINTS
<i>Strategic goals, prioritisation and delivery plan</i>	
NAOF	<p>Lack of implementation plan. The Government has adopted policies on climate finance, but MFA has not published a clear plan for how these policies will be implemented as a whole, what kind of choices will be made when allocating funding, and on what basis it will be allocated. Monetary level of climate finance or other strategic objectives have not been defined publicly.</p> <p>The objectives of climate finance have been specified to some extent in the Ministry for Foreign Affairs' steering documents that concern individual financial instruments and organisations that channel the finance. The Ministry has guided its partner organisations by influencing their strategies and steering systems.</p> <p>After NAO's report, MFA has published an Action Plan for international climate finance. The Action Plan includes the planned level of climate finance for the years 2022-2026, and how grant-based finance will be distributed in these years between mitigation and adaptation funding. However, the Action Plan does not include overall strategic objectives for climate finance its allocations or its impacts, justifying the choices and priorities. It notes that <i>clearer policies need to be made in the future on what issues Finland particularly wants to promote in terms of climate change mitigation and adaption, what kind of funding is best suited for the purpose at hand, and how and to which country groups each type of funding should be allocated.</i></p>
DPC	<p>Lack of long-term approach: There is a need for a transparent long-term approach as well as a plan for increasing and targeting Finland's climate finance. The targets should address both mitigation and adaptation and direct funding to the least developed countries, also reaching the marginalised people. The plan should also include a definition of climate finance and clarify issues and concept currently vague (e.g. leveraged funding and its quantitative targets, how development cooperation principles and the principles enshrined in the international climate agreements guide Finland's climate finance).</p> <p>DPC's report points out that to guarantee sufficient climate finance, a clear, parliamentary plan extending over several budgetary frameworks and government terms would be needed and its implementation should be monitored by parliamentary decision-makers, i.e. giving a role to the Parliament and also the Governments across terms, not only for the MFA and other ministries.</p>
NAOF DPC	<p>Gender: Gender equality has been taken into account in some way in the general objectives of almost all financial instruments.</p> <p>Climate finance criteria and targets should take into account human rights and gender equality (85% of new climate projects should promote gender equality), which are intrinsically linked with climate justice.</p>
DPC	<p>Loss and damage: There is no clear goal related to inevitable losses and damage caused by climate change.</p> <p>The Action Plan for international climate finance don't include a goal related to inevitable losses and damage, but it is mentioned that Finland's funding invests on prevention of loss and damage by supporting weather and early warning services, and disaster risk management.</p>



SOURCE	MAIN FINDINGS AND KEY POINTS
DPC	<p>Biodiversity: Biodiversity loss is closely linked to climate change. It would be important to also allocate climate finance to measures that simultaneously prevent biodiversity loss. In addition, the 'do no harm' principle is important when allocating climate finance, which in this context means preventing adverse impacts on biodiversity.</p>
DPC	<p>Grant based assistance: Most of Finland's public climate finance has been grant-based assistance. It is important to maintain grant-based finance as the primary form of financing. The 'polluter pays' principle and climate justice require that the poorest countries should not have to finance their climate actions with loans.</p>
DPC	<p>Instrument, rather than outcome focus: Currently the instruments used for channelling climate finance govern and determine the use of funds, instead of the overall objectives determining the choice of the most suitable instrument.</p> <p>The Action Plan for international climate finance points out that in Finland's climate finance continuity is emphasised, and all current funding channels are planned to be in use in the coming years.</p>
DPC	<p>Lack of complementarity: A strong actor-based approach to channelling climate finance does little to enable effective cooperation and synergies between actors, e.g. around a single theme or goal.</p> <p>The Action Plan for international climate finance mention that the MFA will look into the possibilities of organising e.g. thematic calls, which could involve various actors from research, non-governmental organisations or the private sector.</p>
<i>Target setting, monitoring and reporting</i>	
DPC	<p>Target setting: Related to the budget appropriations for 2022-2026, no actual quantitative targets for the short or long-term have been set. The quantitative target-setting involves issues such as the calculation of Finland's 'fair share' of the EU's climate finance obligations ('polluter pays' principle). In addition, there is a need to specify how financial targets will be achieved and maintained across parliamentary terms.</p>
NAOF	<p>Inconsistent monitoring and target setting: MFA's practices and its possibilities of influencing the effectiveness of various climate finance instrument vary greatly. In some cases, the steering documents define objectives for climate change mitigation, and the organisations monitor their achievement using internationally approved methods. Few targets and indicators for Climate Change (CC) adaptation have been specified. Not all financial instruments have climate objectives, and MFA does not systematically monitor the climate results of all instruments.</p>
NAOF	<p>Lack of portfolio level targets: The updated theories of change and indicators improve possibilities of planning, monitoring, and evaluating climate finance effectiveness more systematically than before. However, MFA has not specified any quantitative objectives for climate change mitigation and adaptation in them. There is one aggregate indicator, emission reductions, for measuring impacts on climate change mitigation and impacts on adaptation is monitored through sample cases.</p>
NAOF	<p>Inconsistent results reporting and collation: Collection of statistics on climate finance is challenging (susceptible to errors, system still evolving) and information on its results is partly inconsistent.</p> <p>The MFA has since worked on this, e.g. new guidelines for using Rio Markers were published.</p>
NAOF	<p>Inconsistent methodologies and lack of focus: Forming an overall picture of effectiveness is difficult. In addition, comparing the effectiveness of different forms of finance is challenging: there can be many performance targets simultaneously, there are also other objectives (related to foreign or trade policy), work to achieve climate objectives can take many forms and have different time spans, measuring adaptation in all of its diversity challenging, organisation that channel CC finance use different methods for assessing results (such as reduction in GHG emissions, volume of carbon sequestration).</p>
NAOF	<p>Lack or outcome-based funding decisions: Climate results have played a minor role in justifications for funding decisions.</p>



SOURCE	MAIN FINDINGS AND KEY POINTS
NAOF DPC	<p>Lack of results reporting on gender: Lack of Climate finance projects generally have a positive impact on the status of women and girls in the partner countries, but there is a great variation in their impacts and the information available on them. There is a need for systematic monitoring and evaluation of gender equality impacts at different stages.</p> <p>According to a Nordic study, gender equality goals are included especially at the planning stage, but this seldom leads to indicators or results that address gender equality. Gender equality is more often included in adaptation funding than in mitigation funding. In addition, civil society organisations incorporate more likely gender equality objectives in their climate finance projects, while private sector projects are the least likely to do so.</p>
NAOF	<p>Finland's international reporting on climate finance has met the requirements (the results of climate finance are described relatively little in international reporting).</p>
NAOF	<p>Lack of resources: The steering of climate finance is decentralised, as part of other development cooperation. MFA has strengthened its strategic management by information and harmonised the steering processes of financial instruments. However, MFA's essential personnel resources have not been increased at the same rate in all respects as increased use of private sector financial instruments and investments in climate finance. The work of the quality group for development cooperation as well as the role and cooperation between sectoral advisors should be strengthened to improve the quality assurance of climate finance.</p> <p>DPC also bring up the need for sufficient human resources, especially in the MFA. It also points out resources needed for the coordination of the multilateral work between the ministries (to ensure coherence and use of synergies).</p> <p>After publication of NAOF's and DPC reports, the MFA has hired more people, e.g. earlier there was one person taking care of the financial loans and investments, now there is three (in the Unit for Development Finance and Private Sector Cooperation, KEO-50).</p>



Annex 9. Consolidated results for key indicators from sub-portfolio review

GHG	CLEAN ENERGY PRODUCTION	ACCESS TO ENERGY	HA UNDER SUSTAINABLE MANAGEMENT
Bi/regional			
<p><i>Rural Village Water Resources Management Project, phase III:</i> Cumulative 352 167 MTCO₂e (Million Tonnes of carbon dioxide equivalent) Greenhouse gas emissions mitigated using sustainable technologies (during the project) (exceeding the target of 250.000 MTCO₂e).</p> <p><i>Private Forestry Programme Phase I in Tanzania:</i> During their first rotation, the plantations established on degraded grassland have the potential to sequester an additional 2.3 million tonnes of CO₂ from the atmosphere.</p> <p><i>Private Forestry Programme Phase II in Tanzania:</i> Improved fire management and reduced area of burned plantations will result in avoided emissions, but the quantities have not been estimated.</p> <p><i>EEP programme in the Mekong Region:</i> The funded projects contribute to the reduction of 141,800 tCO₂ per year.</p>	<p><i>EEP programme in the Mekong Region:</i> Total (cumulative) clean energy generated by the funded projects is about 7.0 MW (non-electric energy i.e. biogas generation is converted into electric power units – MW).</p>	<p><i>Rural Village Water Resources Management Project, phase III:</i> Cumulative number of beneficiaries provided with access to sustainable energy services by the end of the project: 249 361 (exceeding the target of 195.000).</p> <p><i>EEP programme in the Mekong Region:</i> Cumulative number of households benefitting on clean energy access by the end of the programme: 190 052 beneficiaries.</p>	<p><i>Private Forestry Programme Phase I in Tanzania:</i> Conversion of about 12.000 ha of degraded grassland into forest plantations (by programme completion).</p>



GHG	CLEAN ENERGY PRODUCTION	ACCESS TO ENERGY	HA UNDER SUSTAINABLE MANAGEMENT
CSO/INGO			
<p><i>Global Alliance for Clean Cookstoves:</i> China: A pilot intervention reaching 10.000 households, led to 13 kg reduction in sulphur dioxide, a 4-ton reduction in CO₂, and a 30 kg reduction of PM_{2.5}. The Ministry for Agriculture considers the recommendations developed based on the pilot in its future policymaking decisions.</p> <p><i>WWF:</i> 36 967 481 tCO₂e estimated to have been avoided in the MFA and WWF Finland supported areas in Kenya, Madagascar, Tanzania, Uganda, Bhutan, Indonesia, Laos and Nepal in 2018-2020 calculated based on the avoided deforestation rate.</p>			<p><i>WWF:</i> Despite efforts, the net deforestation continued in the MFA Finland supported WWF project sites in Kenya, Madagascar, Tanzania, Uganda, Bhutan, Indonesia, Laos and Nepal in 2018-2020: balance -219 369 ha. WWF works in biodiverse and hotspot areas where deforestation is high.</p>



GHG	CLEAN ENERGY PRODUCTION	ACCESS TO ENERGY	HA UNDER SUSTAINABLE MANAGEMENT
<p>Development policy investments</p>			
<p><i>IFAD concessional loan, 12th replenishment:</i> Target set: 112 million tons of CO2 avoided.</p> <p><i>Finland-IFC Blended Finance for Climate Program:</i> Total expected GHG abatement: 579.000 tCO2e annually.</p> <p><i>ADB venture investment fund 1:</i> 126k CO2 emissions reduced by the end of 2021.</p> <p><i>Finnfund ODA equity project examples:</i></p> <ul style="list-style-type: none"> • Annual emissions around 19.000 tCO2 and annual removals 198.000 tCO2 • Lifetime GHG avoided: 7.305 kilo tonnes; annual emission avoided: 245.000 tonnes • Total annual carbon sequestration in investee companies about 3 MtCO2 • Cumulative avoided emissions until 2028 estimated to be 21.000 tCO2 (no monitoring data yet) • Based on Finnfund's carbon sequestration calculation tool, annual CO2 sequestration 670.000 tCO2eq total and 180.000 tCO2eq attributed to Finnfund • Estimated decrease of greenhouse gas emissions by displacing 370.000 tonnes of carbon dioxide emissions each year. 	<p><i>Finland-IFC Blended Finance for Climate Program:</i></p> <ul style="list-style-type: none"> • Harnessing Nepal's Trishuli River to create a 216-megawatt run-of-river hydropower project (target). • Two solar power plants in Senegal (44 MWp and 35 MWp) • West Bank: Up to 500 West Bank schools are being outfitted with solar arrays (25 megawatts of electricity) <p><i>Finnfund ODA equity project examples:</i></p> <ul style="list-style-type: none"> • Electricity generated: 7,690 GWh (Gigawatt hour) (Lifetime, foreseen); 258 GWh (annual) • Estimated annual production 365 GWh. 		<p><i>IFAD concessional loan, 12th replenishment</i> 1.8 million hectares of land brought to climate resilient management (cumulative by 2021).</p>



GHG	CLEAN ENERGY PRODUCTION	ACCESS TO ENERGY	HA UNDER SUSTAINABLE MANAGEMENT
Multi-core			
<p><i>NDF replenishment 2020:</i> 70 million tCO₂e emissions reduced or avoided (cumulative by 2021).</p> <p><i>GEF:</i> 339.59 MTCO₂e emissions avoided (reported in terminal evaluations of GEF-5).</p>	<p><i>NDF replenishment 2020:</i> 917 GWh annual energy generated/save by clean energy capacity (cumulative by 2021).</p> <p><i>IDA replenishment:</i> 1,492 MW generation capacity of renewable energy constructed (cumulative during IDA17).</p> <p><i>GEF:</i> 33.73 MW renewable energy capacity installed (reported in terminal evaluations of GEF-5).</p>	<p><i>NDF replenishment 2020:</i> over 20 million people getting improved access to clean energy (50% women). 4,3 million clean energy connections facilitated (cumulative by 2021).</p> <p><i>IDA replenishment:</i> Access to electricity to about 35 million people (cumulative during IDA17).</p>	<p><i>NDF replenishment 2020:</i> 21,979 Ha area impacted by DRR and weather and climate system services (cumulative by 2021).</p> <p><i>GEF LDCF:</i> Achieved in 2021: around 286.000 hectares of land under more climate-resilient management; 2020: 1.3 million ha of land under more climate resilient management.</p> <p><i>AF:</i> 575,699 ha of natural habitats created, protected, rehabilitated or restored.</p>
Thematic, multi/other			
<p><i>EEP Southern and East Africa Multi-donor Trust Fund:</i> 119,466 t CO₂eq GHG emissions reduced or avoided (cumulative in 2021).</p> <p><i>EBRD Eastern Europe Energy Efficiency and Environment Partnership Regional Fund – E5P</i> Over 772,735 tonnes of CO₂ reduced per year.</p>	<p><i>EEP Southern and East Africa Multi-donor Trust Fund:</i> Total installed clean energy capacity: 1,03 MW (cumulative in 2021); Total annual energy generated by installed clean energy capacity: 7,802 MWh (by 2021).</p> <p><i>NEFCO - Finland Ukraine Trust Fund:</i> The total installed capacity was 13,232 MW1 (6,873 MW Solar, 1,314 MW Wind, 212 MW Bioenergy, 4,833 MW Hydro) (cumulative by 2020).</p>	<p><i>EEP Southern and East Africa Multi-donor Trust Fund:</i> Total 1,023,393 people (50% women) with improved access to clean energy (cumulative in 2021).</p>	<p><i>Forest & Farm Facility:</i> 161 993 ha of forest and farm producer land has been restored, protected or sustainably managed (cumulative by 2022).</p>
PSI grant			
	<p><i>SLA Innovative Energy Solutions</i> Solar electricity production in Somaliland. 300kWh solar electricity per day (production planned to achieve full scale in 2021). ST1 Piloting of bioethanol production in Thailand (expected outcome).</p>		

VOLUME 1 • MAIN REPORT



Ministry for Foreign
Affairs of Finland