EVALUATION

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EVALUATION OF FINLAND'S INTERNATIONAL CLIMATE FINANCE 2016–2022

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EVALUATION OF FINLAND'S INTERNATIONAL CLIMATE FINANCE

DRAFT FINAL REPORT – VOLUME 2

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Overall content

Acronyms and Abbreviations

ADB	Asian Development Bank
ADF	African Development Fund
AF	Adaptation Fund
AFD	Agence Française de Développement
AFERIA	Adaptation for Food Security and Ecosystem Resilience in Africa
AFIP	African Forestry Impact Platform
BEAM	Business for Impact
BFCP	Blended Finance for Climate Program
CCO	Cross-Cutting Objective
COWASH	Community-Led Accelerated Water Sanitation And Hygiene
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DFI	Development Finance Institution
DPC	Development Policy Committee
DPI	Development Policy Investment
DRC	Democratic Republic of the Congo
EBRD	European Bank for Reconstruction and Development
EEP	Energy And Environment Partnership Fund
EMDC	Emerging Markets and Developing Country
EQ	Evaluation Question
EVA-11	MFA's Development Evaluation Unit
FAO	Food And Agriculture Organization
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
HEI ICI	Higher Education Institution Institutional Cooperation Instrument
HIPCA	High Impact Partnership On Climate Action
HRBA	Human Rights-Based Approach
ICI	Institutional Cooperation Instrument
IDA	International Development Association
IDB	Inter-American Development Bank
IFAD	International Fund For Agricultural Development
IFC	International Finance Corporation
IFI	International Finance Institution
INGO	International Non-Governmental Organisation
IPCC	Intergovernmental Panel On Climate Change
LDC	Least Developed Country
LDCF	Least Developed Countries Fund
LIC	Low-Income Country

LMIC	Low- And Middle-Income Countries
MCPP	Managed Co-Lending Portfolio Program
MDB	Multilateral Development Banks
MFA	Ministry Of Foreign Affairs
MICs	Middle-Income Country
MIGA	Multilateral Investment Guarantee Agency
MNRT	Ministry Of Natural Resources and Tourism
MTE	Mid-Term Evaluation
NAFORMA	National Forest Resources Monitoring and Assessment
NAO	National Audit Office
NCCRS	National Climate Change Response Strategy
NDC	Nationally Determined Contributions
NL	Netherlands
ODA	Official Development Assistance
OECD	Organisation For Economic Co-Operation and Development
PIF	Public Sector Investment Facility
PSI	Private Sector Instrument
SDG	Sustainable Development Goal
SME	Small and Medium Enterprise
TOSP	Tree Outgrower's Support Programme
UK	United Kingdom
UMIC	Upper Middle-Income Countries
UN	United Nations
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
US	United States of America
USD	United States Dollar
VPO	Vice President's Office
WASH	Water, Sanitation and Hygiene Program
WB	World Bank
WBG	World Bank Group
WMO	World Meteorological Organization
WWF	World Wildlife Fund
ZCCS	Zanzibar Climate Change Strategy

1 CASE STUDY 1: ADAPTATION/CROSS-CUTTING ISSUES

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1.1 Introduction

1.1.1 Background

This case study constitutes one of 4 prepared for the Ministry of Foreign Affairs (MFA) Evaluation of Finland's International Climate Finance. The other case studies are (1) Private Sector, (2) Finnish institutions and interests; and (3) Tanzania Country Case Study.

The purpose of each Case Study is to apply the overarching evaluation questions (EQ), design and methodology of the strategic level evaluation while adapting their analysis for the specifics of the thematic context. The case studies provide findings against EQ1 and EQ2, and address implications for the future (EQ3).

The specific objectives of each case study are:

- To provide a contributory evidence stream to the overall strategic evaluation;
- To help interrogate the wider theoretical framework for the evaluation by generating evidence to inform it, and
- To generate lessons/implications to help inform MFA stakeholders in their work relating to climate finance as part of the constructive approach adopted by the utilisation-focussed model of the overall evaluation.

No Case Study is explicitly a full evaluation of Finland's Climate Finance in its context, which would be beyond its remit. Accordingly, it does not provide recommendations but rather proposes some lessons/implications to support internal dialogue and learning.

1.1.2 Purpose

The aim of the case study was to look at key elements of the Finnish climate finance portfolio to understand how Finland's climate finance is supporting climate change adaptation, how the human rights-based approach (HRBA) has been realised in the adaptation portfolio, and how the portfolio has been able to support cross-cutting objectives (CCO), i.e. gender equality and non-discrimination (e.g. disability). It explored organisations' drivers and influences for supporting adaptation activities, and their relevance to global and developing country objectives as well as their coherence with Finland's development policy objectives and with climate change actions of others. It also analysed key outcomes of the adaptation interventions and possible evidence for impacts as well as evidence that the results are likely to be sustainable over time. Furthermore, it examined how effectively the adaptation interventions have been able to support gender equality and non-discrimination and to what extent Finland has been able to influence these CCO of multilateral partners receiving climate finance.

1.1.3 Methodological Approach

For the overview of the climate change adaptation portfolio, the case study utilised a data set received from the MFA for the years 2016-2021. The interventions in the adaptation portfolio included both interventions marked Rio marker 2 (principal) and 1 (significant).

The evaluation used a subset of climate finance interventions for a more detailed assessment to explore the EQs. This sub-sample included 49 interventions. For the different analyses (e.g. relevance, coherence, key outcomes, sustainability, etc.) of this adaptation case study 25 interventions from that sub-sample were selected. These 25 interventions were selected since they had adaptation outcomes, although some of them contributed also to mitigation outcomes. In addition, the adaptation funding formed 50% or more of the total climate funding of an intervention for most of the included interventions. The relevant documents (proposals, reports, evaluations) related to these interventions were reviewed. In addition, three other interventions which were not included in the 49 interventions sub-sample were included in this case study. They were found relevant and complementing the adaptation case study set during the review process, and there were also relevant documents available.

In addition to the desk review of the 25 interventions, also semi-structured key informant interviews were carried out. The adaptation case study utilised the results of the 35 interviews in which 47 interviewees participated. The interviewees were representatives of MFA (senior advisers, Civil Society Organisation (CSO) unit) bilateral intervention staff (Community-Led Accelerated Water Sanitation and Hygiene (COWASH)), Rural Village Water Resources Management Project (RWVRMP), Forestry and Value Chains Development programme (FORVAC)), Finnish state research institutions (Finnish Environment Institute, Finnish Meteorological Institution, Geological Survey of Finland, Natural Resources Institute Finland), CSOs (FELM, Food and Forest Development Finland (FFD), Fingo, Finnish Red Cross, World Wildlife Fund (WWF) Finland), University of Helsinki, HAMK University of Applied Sciences, Academy of Finland (DEVELOP-programme), Finnish National Agency for Education (Higher Education Institutions (HEI) Institutional Cooperation Instrument (ICI)), private companies (Vaisala, BioSorbio) and consultancy companies (facilitation consultants of ICI interventions).

The Intergovernmental Panel on Climate Change (IPCC) adaptation options classification, which was used when reviewing the results of the adaptation interventions can be found from: https://www.ipcc.ch/site/assets/uploads/2018/02/WGIIAR5-Chap14_FINAL.pdf (Table 14-1, p. 845).

1.1.4 Limitations

Although the case study included different funding instruments and channels through which the adaptation finance has been delivered, the 25 interventions is naturally a relatively limited sample size. In addition, the quality and comprehensiveness of the intervention documentation varied. Therefore, the results presented in the case study can be considered as indicative for the overall climate change adaptation portfolio.

1.2 Context

1.2.1 Importance and international trends in climate change adaptation

The international community is increasingly recognising that climate change impacts development in profound ways calling for a complete integration of climate and development considerations. This is also the implication of the commitments by development partners to align all development activities to the Paris Agreement on Climate and its goal of '*Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels'*. The implication of this commitment is a complete mainstreaming of climate change into development cooperation to improve the status quo through climate risks and vulnerability analysis and support for measures to adapt to climate risks and improve resilience of economies and people as well as supporting low-carbon growth pathways.

Adaptation planning and implementation have continued to increase across all regions (IPCC 2022). For example, at least 84% of Parties to the United Nations Framework Convention on Climate Change (UNFCCC) have established adaptation plans, strategies, laws and policies, and about half of those have two or more planning instruments in place (UNEP 2022). Pilot interventions and local experiments are being implemented in different sectors (IPCC 2022). Countries have also increased the implementability of adaptation planning instruments, e.g. by defining objectives, determining time frames, strengthening the science base and improving the capacity and partnerships needed to ensure effective implementation (UNEP 2022). In addition, many planning instruments display attention to gender and/or disadvantaged groups, such as indigenous peoples (UNEP 2022).

Climate finance providers are using more indicators and metrics to measure what climate adaptation finance is achieving on the ground (UNFCCC 2022). For adaptation, common indicators in use are the number of beneficiaries, the hectares of land protected and the number of policies, interventions, plans, systems, or assets that foster climate resilience. The challenge is to define and report on outcome and impact indicators that enable the long-term or indirect effects of climate finance interventions (e.g. increased climate resilience of beneficiaries) to be captured instead of measuring direct intervention outputs (e.g. number of early warning systems installed) (UNFCCC 2022).

Despite progress with regards to planning and implementation, adaptation approaches are often inadequate (IPCC 2022). Most observed adaptation is fragmented, small in scale, incremental, sector-specific, designed to respond to current impacts and near-term risks resulting inadequate attention to the long-term viability of adaptation solutions, unequally distributed across the regions, and focussed more on planning rather than implementation (IPCC 2022, UNEP 2022). In addition, adaptation actions may reinforce existing vulnerabilities or introduce new risks, particularly for the most vulnerable, e.g. due to inadequate involvement of stakeholders through elite capture of resources and exclusion of marginalised groups, including women, indigenous peoples and local communities, and inadequate attention to local contexts and ownership in adaptation design and implementation (UNEP 2022). Furthermore, these adaptation gaps are partially driven by widening disparities between the estimated costs of adaptation and documented finance allocated to adaptation (IPCC 2022).

Adaptation finance is increasing but remains insufficient (UNFCCC 2022). In its fifth biennial assessment, the Standing Committee on Finance summarises that more public finance flows are for mitigation than for adaptation, although adaptation finance increased significantly, from annual average of USD 30 billion in 2017-2018 to USD 49 billion in 2019-2020, driven mainly by financing from bilateral and multilateral development finance institutions (UNFCCC 2022). Oxfam (2023) estimated that adaptation finance was in 2017-2018 USD 15 billion and USD 24,5 billion in 2019-2020 (33% of the public climate finance). Oxfam's estimates are based on the Organisation for Economic Co-operation and Development (OECD) dataset and not Biennial reports submitted to the UNFCCC. In addition, Oxfam accounted climate relevance and estimated the real support value of provided finance. However, regardless of the figure used to show that adaptation finance has recently increased, it is insufficient in relation to needs. UNEP (2022) has estimated that annual adaptation costs/needs are in the rage of USD 160–340 billion by 2030 and USD 315–565 billion by 2050. In addition, the adaptation finance gap continues to widen (UNEP 2022).

The largest sources of approved funding for adaptation interventions are currently the Green Climate Fund (GCF), the Least Developed Countries Fund (LDCF) administered by the Global Environmental Facility (GEF), the Pilot Programme for Climate Resilience of the World Bank's (WB) Climate Investment Funds, and the Adaptation Fund (AF) (Watson et al. 2023). Regionally, adaptation finance from all multilateral funds in 2003-2022 has primarily been directed to sub-Saharan Africa (39%), East Asia and the Pacific (17%), and Latin America and the Caribbean (16%), followed by programmes and activities in South Asia (12%). Top recipients Bangladesh, Tanzania, Niger, Mozambique, Zambia, Cambodia, Nepal, Ethiopia, Samoa and Bolivia have all received more than USD 110 million each since 2003. Some of the most vulnerable developing countries receive very little adaptation finance. For instance, Côte d'Ivoire and South Sudan, both Fragile and Conflict-Affected States (FCAS) and among the world's most vulnerable countries according to various vulnerability indices, have received only USD 15.9 million and USD 9.2 million respectively in adaptation finance from multilateral climate change funds (Watson et al. 2023).

There is little evidence on whether priority target groups are being effectively reached through channels that receive significant climate finance (OECD 2023). For example, only 1.7% of climate finance goes to small-scale farmers in developing countries despite their disproportionate vulnerability to the impacts of climate change (Chiriac & Naran 2020). There appears to be some trade-offs between providing finance at scale and reaching more vulnerable communities. Determining the magnitude of this trade-off is challenging due to lack of disaggregated data (OECD 2023).

1.2.2 Finland's development policy objectives supporting climate change adaptation

Climate change adaptation has been among Finland's development policy objectives already some time. Finland's Development Policy Programme 2012 (MFA 2012) had climate sustainability as a CCO which included both low carbon development as well as support to partner countries for adaptation. The next development policy programme in 2016 (MFA 2016) did not have CCO, but four priority areas of which priority area four '*food security and access to water and energy have improved and natural resources are used sustainably'* also included support to Sustainable Development Goal 13. In addition, climate change was presented as one of the underlying principles and sustainable values of Finland's development policy: '*All our activities are geared to climate change mitigation and giving support for climate change adaptation and preparedness'.* In 2020

the priority area four was revised and the concept of resilience introduced: '*climate resilience and low GHG emissions development are promoted by sustainable use of natural resources'*(MFA n.d.).

In the latest Report on Development Policy Across Parliamentary Terms (MFA 2021c) climate change mitigation and adaptation are one of the priority areas and low emissions and climate resilience are also among the CCO. The aim of climate resilience is to enhance climate change adaptation, to reduce vulnerability and strengthen the resilience of people, ecosystems and societies to climate risks and impacts of climate change. Other CCO are gender equality and non-discrimination. The latter one has been formulated in the latest update of the guidance paper for CCO (9.5.2023) as non-discrimination with an emphasis on disability inclusion (MFA 2023b). Promotion of gender equality and rights of persons with disabilities have been important aims of Finnish development policy and cooperation since early 2000s. A HRBA has also long been at the core of Finnish development policy and cooperation. It was defined as a key approach in Finland's development policy in the Finland's Development Policy Programme adopted in 2012 (MFA 2012).

The recent Finnish government (Marin 2019) introduced new goals related to climate finance and mitigation/adaptation. Considering Finland's governments programmes and adaptation finance, especially Programme of Prime Minster Marin's Government (2019) has been important. The programme set the goal of scaling up the climate finance and in addition, included the aim '*to direct half the climate finance to climate change adaptation, for example through international funds and civil society organisations'.* The Action Plan for Finland's International Climate Finance (MFA 2022a) notes that this aim is applied especially for grant-based funding and estimates that '*from 2022 onwards grant-based climate finance flows will be equally split between adaptation and mitigation'.* The Action Plan notes that loan and investment funding will continue to primarily support climate change mitigation, and grant-based funding is allocated to adaptation activities. In addition, Finland allocates grant-based funding also to mitigation activities and seeks opportunities to find suitable adaptation targets for loan-based and investment-based funding.

The Action Plan on climate finance (MFA 2022a) does not include specified targets regarding climate change adaptation. It mentions that there is a growing need for climate change adaptation funding, and for its predictability, and that Finland has joined in the Champions Group on Adaptation Finance. The Theories of Change and Aggregate Indicators for Finland's Development Policy provides a basis for the implementation, monitoring and reporting of Finland's development policy (MFA 2020a, the updated version was published November 2022). The priority area climate and natural resources has five outcome areas: 1) forests and biodiversity, 2) energy, 3) meteorology and disaster risk reduction, 4) food and nutrition security and water. It does not include an aggregate indicator for climate change adaptation due to its context-specific and multidimensional character. Climate change adaptation is principally monitored through sample cases (in quantitative terms where possible).

Since 2019, Finland has also had the Action Plan for Climate Smart Foreign Policy covering all the policy areas of MFA (MFA 2021a). Regarding the climate change adaptation, it refers to the balance between mitigation and adaptation finance, and notes that it requires an increase in adaptation finance. It also states that adaptation finance will be focussed on Least Developed Countries (LDCs) and Small Island Developing States (SIDS), which will contribute also to Finland's foreign policy profile. In addition, it points out that MFA will actively participate, together with Finnish Meteorological Institute (FMI) and Finnish Red Cross, in the work of the Risk-informed Early Action Partnership (REAP).

In the Development Investment Policy Plan 2020–2023 (MFA 2019) it is mentioned that in case of adaptation, particular efforts are made to support interventions related to food and water security and meteorology. The Plan also points out that '*While on the side of grant money, it is more natural*

to take account of the special needs of the least developed countries and small developing island countries, especially in relation to adaptation, Finland also considers the possibility of using the development policy investment appropriation to adapt to climate change in the countries. However, given its financial nature and the reflow and yield expectation, financial investments are better suited to the funding of mitigation measures. However, active efforts are being made to seek adaptation targets and it should be noted that many mitigation investments also include adaptation measures. The aim is to mobilise private funding to meet climate challenges as far as possible'.

1.2.3 Findings from previous evaluations and reviews

The level of adaptation finance remained below finance for mitigation. The National Audit Office (NAO) concluded in its audit report (2021a) that there was not enough statistical data to verify if the objectives related to increasing and targeting climate finance have been attained. Therefore, they labelled the data regarding the allocation of climate finance to climate change mitigation and adaptation as indicative, showing that although the allocation to adaptation finance had varied over the period 2013-2019, it had clearly been less than for mitigation. The most significant channel for supporting adaptation had been the Least Developed Countries Fund, Special Climate Change Fund and AF. The largest number of interventions (at least 60% of the disbursements have been recorded as adaptation finance) were funded through the ICI (approx. 66% of the total payments allocated to adaptation) and Non-Governmental Organisation (NGO) support (total share allocated to adaptation approx. 63%). The NAO also found that the ministry's assessment criteria for climate-specific shares of payments as well the shares of mitigation and adaptation were always not clear. (NAO 2021a.)

Besides allocating half of the grant-based climate funding to adaptation, there have been few other targets or indicators specified for climate change adaptation as pointed in the report of the NAO (2021a). The NAO's audit report noted that objectives of climate change adaptation have been specified to some extent e.g. at programme level, such as climate resilient water supply and agriculture, and related indicator as number of water safety plans in intervention plans. However, there has not been systematic monitoring and reporting of impacts. (NAO 2021a.)

Climate finance interventions had a positive impact on the status of women and girls in the partner countries – but not all interventions considered gender. As a part of its audit, the NAO also looked at how Finland's international climate finance had promoted gender equality and strengthened the status of women and girls (NAO 2021b). However, it was also noted that there are major differences in the impact of interventions. In addition, the information available on the impacts also varies (NAO 2021b). In addition to the NAO's audit, the Nordic Act Alliance members published a study (DanChurchAid et al. 2021) on how Nordic countries consider gender programming in their climate finance to developing countries. Only just over half of climate-related development finance from the Nordic countries reported gender as a 'principal' or 'significant' objective to the OECD in 2019. There was considerable variation between the four countries, Sweden being the clear leader. Furthermore, there was a much higher proportion of gender integration in adaptation financing than in mitigation financing across the four countries. (DanChurchAid et al. 2021.)

Climate sustainability/adaptation was not yet systematically mainstreamed in Finland's bi-, multi- and multi-bilateral interventions. The meta-evaluation of project and programme evaluations in 2017-2020 (MFA 2022c) found that although the CCO and HRBA are deeply rooted in the Finnish development policy, majority of the evaluators did not recognise them in their analyses (particularly in findings, conclusions, and recommendations). Gender equality was better

mainstreamed than other CCO i.e. climate sustainability and non-discrimination, and it was also better mainstreamed than the HRBA (MFA 2022c.). In addition to the meta-evaluation, the evaluation of the agriculture, rural development and forest sector programmes in Africa (Topper et al. 2019) found that the sample interventions did not properly integrate climate sustainability, although some did contribute to climate change mitigation and adaptation objectives, sometimes in an implicit manner. They concluded that limited integration of climate change may be partly due to the absence of Finnish guidelines related to mainstreaming climate change into intervention design and implementation. They also recommended that climate change, in particular, should be better integrated into intervention design and implementation, in conjunction with other cross-cutting issues, in particular gender; evidence shows that certain agriculture, rural development and forest activities support empowerment of women and vulnerable groups, and are more climate friendly than others. (Topper et al. 2019.)

The evaluations have found mixed results related to climate change adaptation.

The impact evaluation of Finland supported Environment and Natural Resources interventions in Zambia assessed three interventions (FCG & MFA 2020). They concluded that two of the interventions contributed especially to climate change mitigation through strengthening the enabling environment for sustainable forest management. Another intervention also developed a community forest approach through which forest-dependent communities were assessed to be able to increase their resilience to climate change. The third assessed intervention (Civil Society Environment Fund phase 2, 2015-2019) mainstreamed climate change through a section on climate sustainability in their intervention proposal formats. Several interventions had a specific climate change adaptation focus, but there was a little evidence of sustainable impact on community resilience through this intervention, with the short intervention duration a key limiting factor (FCG & MFA 2020.)

The evaluation of Economic Development, Job Creation and Livelihoods (MFA 2021d) found that Finland's interventions across the case countries (Kenya, Tanzania and Zambia) showed mixed results in addressing climate change and adaptation. Forestry programming in Tanzania was found effective in addressing climate change mitigation and adaptation. In Kenya, some programmes and Private Sector Instruments (PSI) have played a role in addressing climate change, although Finnish country strategy for Kenya did not directly target adaptation. In Zambia, programmes after 2016 have not targeted climate change. (MFA 2021d.)

Evaluation on Development cooperation carried out by the Department of Russia, Eastern Europe Central Asia, including the Wider Europe Initiative (WEI), concluded that during the three phases of the cooperation, energy and environment have been constant focal areas of Finnish support (MFA 2021e). Impacts have been identified in the form of increased cross-border cooperation (particularly in river basin management), disaster risk reduction, energy efficiency, and climate resilience (MFA 2021e).

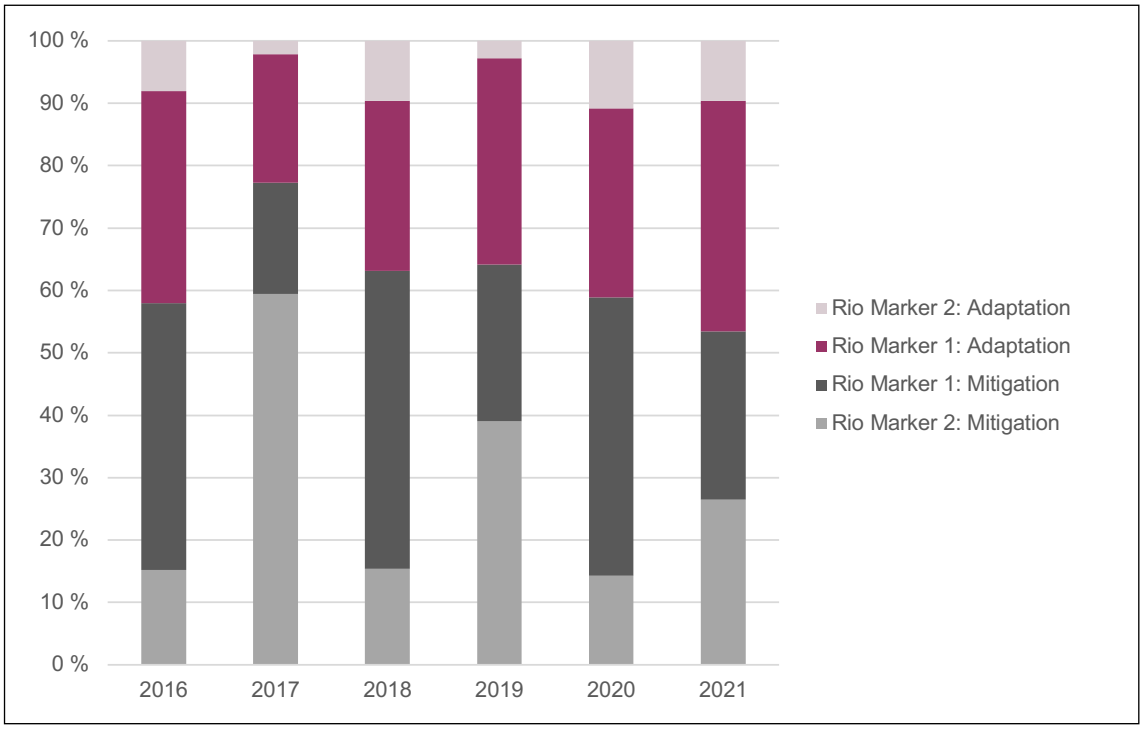
Evaluation on the Transition Process of Finnish-Vietnamese Cooperation in 2008-2020 (MFA 2021f) found that Finland's contribution in advancing its CCO has probably been most successful in the area of environmental sustainability and towards the development of the objectives of climate resilience (adaptation) and low emission development (mitigation). It was concluded that this probably was because they were both a CCO as well as specific area of thematic expertise in which Finland has unique competencies and expertise. This was recognised by both Finnish and Vietnamese counterparts and this sector is where mutual priorities coincide. For example, the application of the HRBA in the dialogue and cooperation with Vietnam has been more challenging. (MFA 2021f.)

1.3 Overview of Finland's adaptation finance portfolio 2016-2021

1.3.1 Adaptation finance by channel/instrument

Adaptation finance made up 38% Of Finland's climate finance and was delivered through all development instruments. Finland's climate finance contribution was EUR 663.7 million during 2016-2021, and 38% of it was adaptation finance. Only 7% of the climate finance had adaptation marked as a principal goal (showed in the Figure 1 at the top of the bars, 'Rio adaptation 2').

Figure 1 Division of annual disbursements by Rio markers



Source: MFA/Evaluation Team

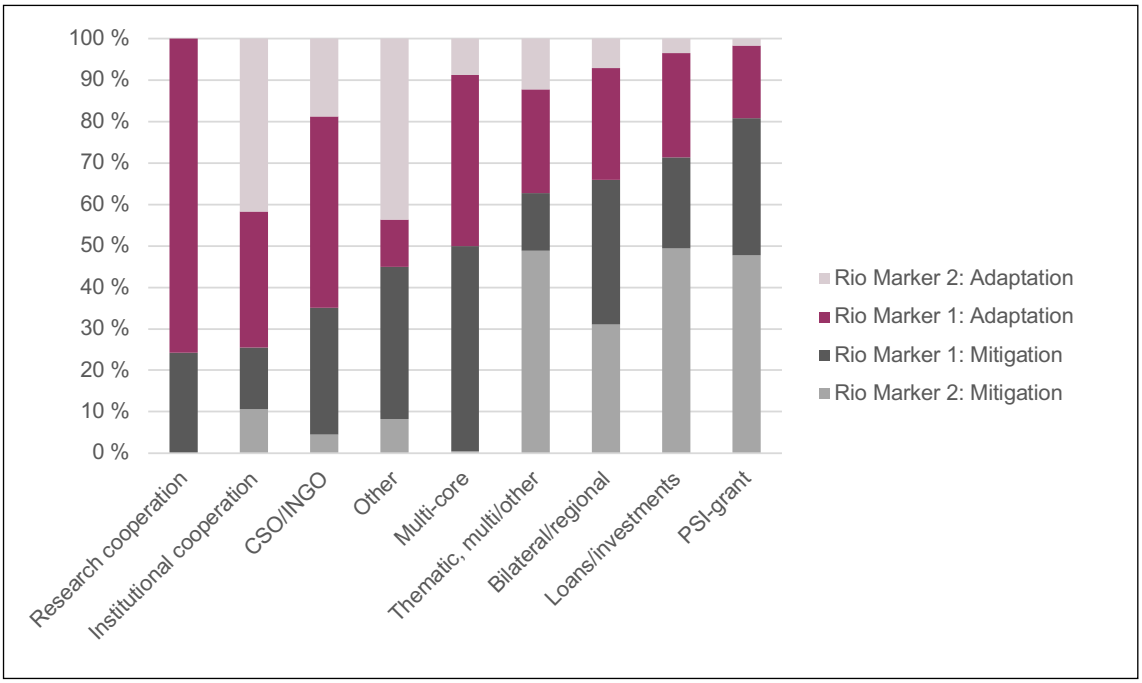
As described earlier in the NAO's audit report (2021) and MFA's Action Plan on climate finance (2023), Finland uses widely its development cooperation instruments and channels for climate finance, and this also concerns adaptation finance (Table 1). However, a major part of the volume of the adaptation finance is derived from the Finnish share of multilateral organisations' activities contributing to climate change adaptation (so- called imputed costs) (41%) and through the Development Policy Investments (DPI) (38%). Although support to CSO/International Non-Governmental Organisation (INGO), institutional cooperation and research cooperation form a small part of the total monetary value of the climate finance portfolio, a major part of their focus was on adaptation, in case of the CSO/INGO support over 60% and in the institutional cooperation and research cooperation over 70% of their climate funding (see Figure 2).

Table 1 Finland's climate change adaptation finance in 2016-2021 by channels/instruments

ADAPTATION FINANCE RECIPIENTS	SIGNIFICANT (RIO MARKER 1), EUR MILLION	PRINCIPAL (RIO MARKER 2), EUR MILLION	GRAND TOTAL, EUR MILLION
Multilaterals, core funding	85.403	18.000	103.403
DPIs	83.810	11.694	95.504
Thematic, multi/other	13.617	6.67	20.292
Bi/regional	10.913	2.853	13.766
CSO/INGO	8.624	3.873	12.497
Institutional cooperation	2.123	2.698	4.821
Research Cooperation	0.549		0.549
PSI Grant	0.292	0.29	0.321
Other	0.030		0.030
GRAND TOTAL	**205.361**	**45.822**	**251.183**

Source: MFA/Evaluation Team

Figure 2 Focus on mitigation and adaptation by channels (re-coded channels)



Source: MFA/Evaluation Team

The largest amount of core funding marked as adaptation finance was channelled through **the GCF,** around EUR 36 million including three appropriations for GCF's first replenishment for years

2020-2023. The next largest were **the International Development Association (IDA)** receiving around EUR 24 million (including several appropriations e.g. to IDA 16, 17 and 18 replenishments), **the African Development Fund (ADF)** with 15 million (several appropriations for 12th, 13th and 14th replenishments), **the GEF** administered the Least Development Countries Fund (LDCF) with 11 million (three appropriations in 2018-2021) and **the AF** receiving EUR 7 million (one appropriation in 2021).

Regarding the DPIs for adaptation, **the largest investments** where channelled through **the International Fund for Agricultural Development (IFAD)**, around 22 million euros. IFAD also received core funding in excess of 2 million euros. **Finnfund** was the second largest, around 12 million euros, followed by the ADF (around 11 million euros), **the Finland-International Finance Corporation (IFC) Blended Finance for Climate Programme** (around 11 million) and **the EBRD High Impact Partnership on Climate Action** around 8 million euros.

The largest adaptation allocation in **the thematic support to multilaterals/others** category was to World Meteorological Organisation (EUR 5 million) for **the Climate Risk and Early Warning Systems (CREWS) initiative.** Other funded interventions included in this category were e.g. support to the Water Services Trust Fund, the Energy and Environment Partnership Southern and East Africa Multidonor Trust Fund, the UNICEF's (United Nations Children's Fund) Water, Sanitation and Hygiene (WASH) and Education Programme and the Food and Agriculture Organization's (FAO) Forest and Farm Facility (FFF).

Bilateral/regional cooperation supporting climate change adaptation included **several water sector interventions** such as COWASH and Consolidated WASH Account (CWA) in Ethiopia, Rural Village Water Resources Management Project and Rural Water Supply and Sanitation Project in Nepal, and Water Management Programme in Kyrgyzstan and Tajikistan. In addition, adaptation was also supported e.g. by interventions such as regional **meteorological services** project in Oceania, **hydro-meteorological** project in Andean region, **food security and ecosystem resilience** project in Eastern Africa and **forestry sector projects** in Tanzania (FORVAC, and Private Forestry Programme).

CSO/INGO support included support to Finnish civil society organisations and foundations (both programme and project support) as well as support to International non-governmental organisations.

There was a large number of CSOs which programmes and projects included also climate change adaptation work, e.g. FELM, Finnish Red Cross, WWF Finland, Finnish World Vision and Fida International receiving programme-based support, and e.g. Food and FFD, The Finnish Association for Nature Conservation and Finnish Somalia Network receiving project-based support. International Union of Forest Research Organizations (IUFRO) was one of the INGOs contributing to the adaptation work. CSO work focussed especially on building communities' resilience (e.g. improved livelihoods and agricultural/agro-forestry practices, sustainable energy, sustainable forestry, disaster risk management).

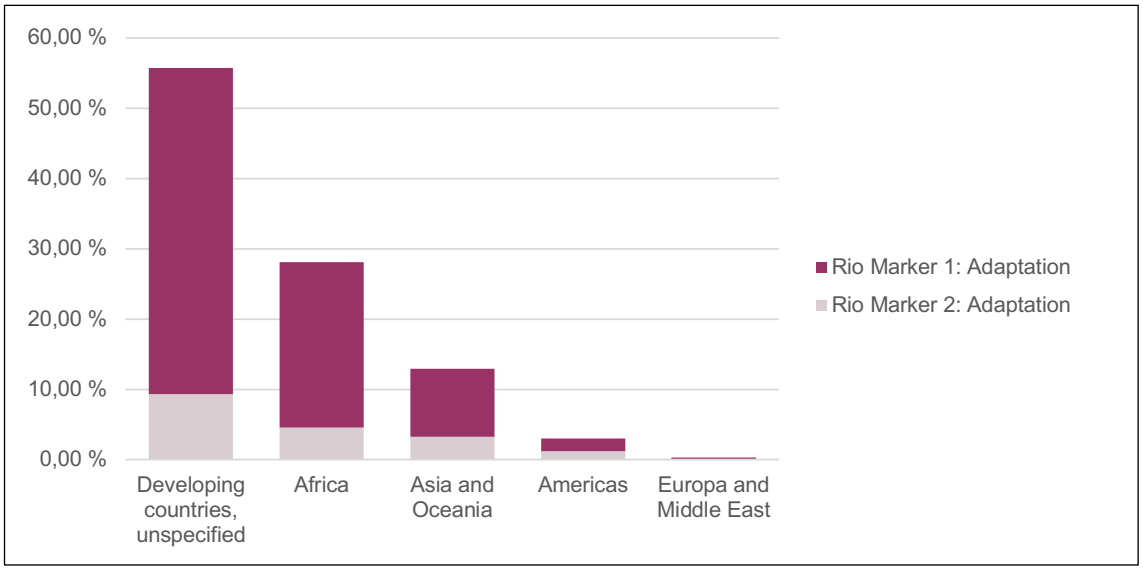
The institutional cooperation refers to the support for government agencies (ICI). The support is given for participation of Finnish government agencies and public bodies in development cooperation. The objective of these interventions is to strengthen the capacities of state actors in developing countries. **During 2016-2021 many of these ICI-interventions were meteorological services interventions** implemented by the FMI (measured as a number of interventions and also as an amount of funding). Other Finnish ICI-intervention implementers were e.g. the Geological Survey

of Finland, the Natural Resources Institute Finland, and the Finnish Environmental Institute. Thematically these ICI-interventions focussed e.g. on availability and quality of groundwater, or risk management and monitoring of groundwater, soil and mineral resources, developing agricultural production, sustainable management of forest and woold resources and biosafety and biosecurity. A major part of the adaptation finance channelled through research cooperation was due to one research intervention focussing on agricultural research and education. PSI-grants category included mainly funding channelled through Finnpartnership. The private sector companies which interventions also supported climate change adaptation were related to agriculture and energy sectors.

1.3.2 Adaptation finance by geographical areas and sectors

Over 50% of the adaptation finance in 2016-2021 was not specified to any regions (Figure 3). This is linked with the fact that a major part of the finance is channelled through multilateral organisations, as core funding or development investment. Most adaptation finance was allocated to Africa (28%). For Asia and Oceania region the share of the allocation was 13% The least developed countries' share of the allocation was 15%, but a major part (77%) of the allocation of adaptation finance was not specified to the country level.

Figure 3 Adaptation finance by geographical regions

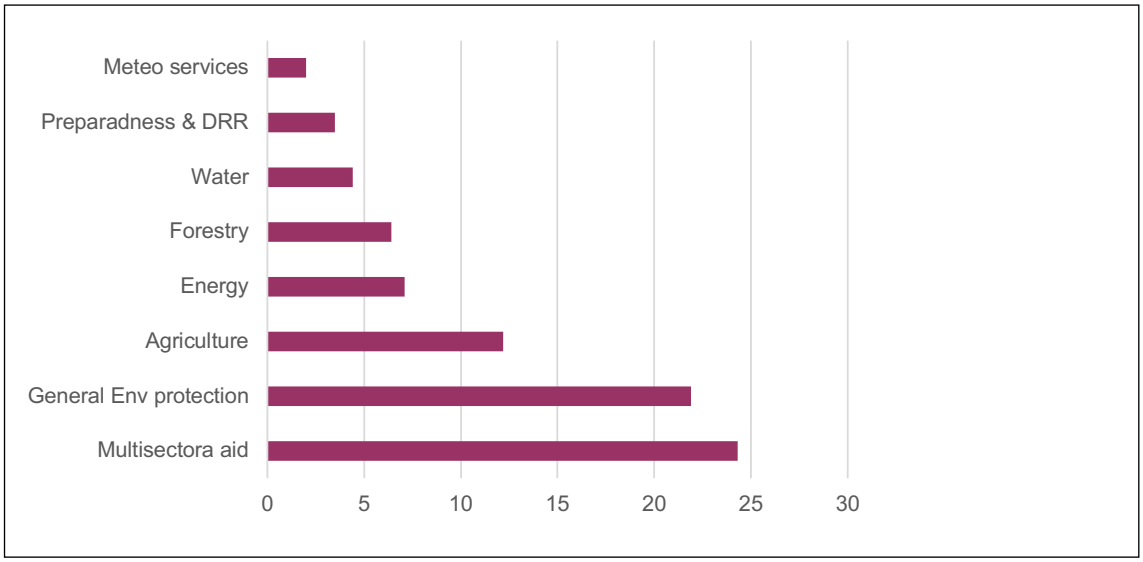


Source: MFA/Evaluation Team

When examining **the adaptation finance by sectors** (using the OECD Development Assistance Committee (DAC) purpose codes), **24%** (EUR 61 million) of the allocation was categorised **as multisectoral aid** (Figure 4). **About 22%** was allocated to **general environmental protection** (incl. environmental policy and admin management, biodiversity, environmental education/training, environmental research). Allocation for **agriculture-sector** was 12% (EUR 30 million), for **energy** 7% and for **forestry** 6% According to the OECD DAC's categorisation, disaster risk reduction (DRR) is in different category than disaster prevention and preparedness (incl. also multi-hazard response preparedness), but they are combined in the Figure 4 and their joint allocation formed

3.5% Allocation for meteorological services was 2% (EUR 5 million), although this figure is too low, since before the year 2021 meteorological services were not coded as their own, but several other purpose codes were used.

Figure 4 Adaptation finance by sectors (using OECD DAC purpose codes)[1] (%)



Source: MFA/Evaluation Team

1 Note that category of preparedness and disaster risk reduction combine two OECD DAC's categories

1.4 EQ1. Relevance and Coherence of the Adaptation Portfolio

The following section reviews the drivers of the Finnish adaptation portfolio and considers its relevance to international and developing country objectives, together with alignment with wider Finnish development cooperation goals.

1.4.1 Strategic drivers of climate change adaptation focus

The most important drivers for the climate adaptation focus were international agreements that were then reflected in policies. Interviewees brought up the international agreements or frameworks such as the UNFCCC, the Paris Agreement, the Convention of Biological Diversity, Sustainable Development Goals (SDG) and the Sendai Framework for Disaster Risk Reduction as the drivers of adaptation focus. These goals were also evident in international organisations increased attention to climate adaptation e.g. the IDA's priority to strengthen resilience in climate and disaster risk response or the FAO/Forest and Farm Facility's holistic approach taking into account the interactions between poverty reduction, forest ecosystem services, food security and impacts of climate change.

Similarly, Finland's development policy objectives related to climate change were mentioned by **many interviewees**. Finland's aim to direct a half of climate finance towards adaptation was also mentioned e.g. in cases when proposing funding for the AF and for the GEF/LDCF, which both have a strong adaptation focus.

Interviewees also referred to their own organisation's strategy which included both climate change mitigation and adaptation (e.g. Natural Resources Institute Finland, Geological Survey of Finland, Finnish Environment Institute, FMI, Viikki Tropical Resources Institute of Helsinki University, Häme University of Applied Sciences, FELM, Finnish Red Cross). Some of the organisations (e.g. Finnish Red Cross, WWF Finland, FFD) are part of the international structures, and thus, also their institutional strategy for climate change mitigation and adaptation was noted as a key driver.

In addition, many interviewees referred to increasing impacts of climate change on people in their partner countries/areas and the urgent needs to respond to their situation. They also mentioned that the focus on climate change issues including adaptation had been requested by partners. The needs of the partners, context analyses, lessons learnt from the previous cooperation were then reflected in planning of the intervention jointly with the partners. Several interviewees also talked about the moral responsibility or mentioned climate justice as a driver of their climate actions. A couple of interviewees brought up that people in developing countries recognised that there was an increased amount of funding available for climate issues. Some interviewees pointed to the need for assistance in meteorology services in developing countries and having national meteorological data which in addition to national benefits, has important regional and global benefits

e.g. related to weather forecasts in other areas. An example is the WB/World Meteorological Organisation (WMO) intervention together with some other international donors and local operators for modernisation of the Central Asian National Meteorological and Hydrological Services (NHMSs), which required a multi-donor approach and resources.

Increased attention to climate impacts led to integration of climate into existing cooperation. Many of the interventions implemented during the years 2016-2022 were a continuation of earlier, long-term cooperation – that was now expanded to also address climate impacts e.g. agriculture sector interventions FoodAfrica II and Adaptation for Food Security and Ecosystem Resilience in Africa (AFERIA) disseminating the results of CHIESA, and water sector interventions COWASH III-IV and RWVRMP III,). In case of many ICI-interventions (e.g. Finnish Meteorological interventions in Sudan FISU II, Kyrgyzstan FINKMET II, Nepal FNEP II-III, and Vietnam PROMOSERV III) where climate change adaptation was already the main focus, the continuation of the intervention strengthened climate integration. Programmes and projects of CSOs were also based on the long-term partnerships and continuation of the previous project or programme period (e.g. programme-based organisations like FELM, Finnish Red Cross and WWF Finland having their 4 years programme cycle). In addition, Finland's support to multilateral organisations (e.g. ADF, IFAD, GEF/LDCF, GCF, AF) have included several appropriations over the years. It was also mentioned in the interviews and could be observed in some of the project/programme documents, that the focus on adaptation has intensified over the years reflecting the earlier mentioned increased impacts of climate change and partners' needs and priorities.

1.4.2 Relevance to global, Finnish, and developing country objectives

Relevance to international climate objectives

The support for adaptation activities were highly relevant as it reflected international and organisation policies and strategies as well as country needs. According to the portfolio subsample assessment reviewing the intervention plans, reports, and evaluations available, the interventions highly reflected and responded to the Finnish development policy priorities related to climate change (looking at the results of 25 interventions included from the sub-sample assessment in this adaptation case study). In addition, a major part of the interventions reflected international climate change commitments and/or national and regional goals. Over half of the assessed 25 interventions had a focus on livelihoods (increasing resilience and decreasing vulnerability). Several of the interventions were related to the agricultural sector and food security, and to some extent also to forests (forest conservation, sustainable management of forest, forest ecosystem services, afforestation/reforestation). In addition, several interventions had their adaptation focus on disaster risk reduction, preparedness and decreasing loss of life and property due to climate-related disasters.

Alignment with other development objectives

There was a large variation in how climate interventions had taken into account the HRBA in their planning. Several intervention planning documents and guidelines described how HRBA is integrated in their intervention or programme (e.g. bilateral Water and sanitation interventions in

Ethiopia and Nepal, food security/agriculture interventions in Africa, FELM's, Finnish Red Cross' and WWF Finland's development cooperation programmes). Some of the multilateral organisation's approach (e.g. AF, GEF/LDCF, GCF) was categorised as a human rights sensitive, and the AF was mentioned as the first one of the climate funds which safeguards include human rights as a core principle. A few of the intervention documents only briefly mentioned human rights or the HRBA. There were also some interventions which did not bring up human rights or HRBA at all. Focus on ethnic minorities or indigenous peoples were also brought up in several planning documents but seldom clarified unless the intervention was specifically targeted towards minorities and indigenous peoples. Significantly fewer mentioned persons with disabilities, although social inclusion and focus on vulnerable people and groups were broadly referenced.

Gender equality was integrated into most climate adaptation interventions. Almost all the planning documents or the rationale for funding proposal discussed about gender equality and/or women's rights. Gender equality was brought up e.g. as plans to conduct an analysis of the needs of women and accordingly to involve them in activities and decision-making, have gender-balance among staff and/or trainees, produce gender-sensitive materials etc. In case of multilateral organisations there often was a reference to the gender strategy/policy/action plan which had been often recently prepared or updated.

1.4.3 Coherence with other actors

In general, coherence between climate adaptation interventions and other activities funded by Finland and international activities related to climate adaptation was strong. The portfolio subsample assessment looked at the coordination and complementarity of the interventions with other Finnish funded activities as well as with other international efforts on climate change. A major part of the assessed interventions had explicit linkages (25 interventions considered here) to another bilateral intervention or there was a cooperation between Finnish CSOs or between a state research institute and a CSO. Similarly, the coordination and complementary of the interventions was good with other international efforts, even slightly more frequent than with Finnish activities. This high level of coordination reflects in part the inclusion of a range of multilateral organisations which typically have strong networks with other donors and actors. Also, some Finnish actors are active through their international structure and networks (e.g. WWF Finland) or had a good collaboration with United Nations (UN) organisations and development banks in many countries (e.g. FMI).

1.5 EQ2. Results of adaptation finance

1.5.1 Climate adaptation outcomes

The development policy priority area climate and natural resources have five outcome areas of which all are shown to contribute to the climate change adaptation, mitigation, and sustainable development (Theories of Change and Aggregate Indicators for Finland's Development Policy 2020, 2022). For adaptation there is no specific aggregate indicator. This is because adaptation is often context-specific and multidimensional. At the outcome and output levels, the most explicit targets and indicators for adaptation are in the outcome area of meteorology and disaster risk reduction. To some extent adaptation is brought up also in outcome areas of food and nutrition security (especially through the linkages to sustainable development targets) and water (one output including climate resilience). In case of the outcome area forests and biodiversity the climate change adaptation is not explicitly brought up, although for example, forest conservation and sustainable forest management are not only linked to the mitigation, but also to adaptation (see e.g. Hergarten 2013, Bher et al. 2015).

There were several results relevant to climate change adaptation, especially in food and nutrition security and meteorology and disaster risk reduction. Of the 27 interventions reviewed under the priority area of climate and natural resources, the following sectors were identified, with some interventions having multiple outcome areas.

- 17 interventions improved food and nutrition security. For instance, smallholder and disadvantaged farmers were trained in climate-resilient agricultural practices.
- 11 interventions enhanced meteorology and disaster preparedness, providing upgraded equipment and software for better weather forecasting, and establishing community-based early warning systems.
- 10 interventions focussed on forest and biodiversity, emphasizing forest protection.
- 5 interventions targeted the water sector, promoting safe, climate-resilient water supply services.

Table 2 provides an overview of examples of adaptation results.

Table 2 Examples of climate change adaptation results

NAME OF THE INTERVENTION (TYPE OF INTERVENTION)	EXAMPLES OF THE RESULTS
Adaptation for Food Security and Ecosystem Resilience in Africa 2016-2018 (bi/regional cooperation)	Directly involved over 13,700 smallholder farmers in a number of different awareness-raising, technology transfer, capacity building and training activities; 36 extension service agents from agriculture, forestry, water and development were given specialised training for their capacity building on climate adaptation technologies and integrated approaches.
FINKMET (2014-2017), Finnish-Kyrgyz Meteorology Project, Phase II (2018-2021) (ICI-intervention)	Improved capacity of the Kyrgyzhydromet to deliver weather, climate, and environmental information and early warning services for the benefits of Kyrgyzstan society (incl. capacities in glacier and snow monitoring, operating a modern air quality observation system). Increased skills at Kyrgyzhydromet to use the weather forecast production system SmartMet and the early warning production system SmartMetAlert, providing information e.g. to the farmers so that they can better plan their activities.
Finnish Red Cross development cooperation programme (results in 2021), (CSO programme support)	78,078 people were supported to adapt to climate change with climate-smart practices and technologies; 74 models of early warning and action and 115 contingency plans for disasters at community level established.
12th Replenishment of the IFAD: Concessional Partner Loan (in 2021) (DPI)	46,370 people supported to sustainably manage natural resource and climate related risks; 1,8 million hectares of land brough to climate resilient management.
GEF/LDCF (results covering period 6/2020 – 7/2021) (Multilaterals, core funding)	8.5 million direct beneficiaries; around 286,000 hectares of land under more climate-resilient management; trained more than 124,000 people in various aspects of climate change adaptation; over 550 national and sub-national policies, plans or frameworks had been strengthened or developed to better address climate change risks and adaptation.
FAO/Forest & Farm Facility (in 2022) (Thematic, multi/other)	123 787 people have been supported to cope with the impacts of climate change; 115 forest and farm producer organisations have developed climate resilience plans or climate-responsive practices; 5 957 staff of forest and farm producer organisations have received training in climate-change mitigation, adaptation or resilience practices; 172 170 people are benefiting from the restoration, protection or sustainable management of forest and farm producer lands

Source: Evaluation Team

The IPCC uses a set of adaptation categories to define activity and results areas. Using this categorisation, most results were related to the technological or informational change categories:

- *Technological* (60% of 27 interventions): This included early warning systems, efficient irrigation, water-saving technologies, rainwater harvesting, and climate-smart crops.
- *Informational* (Over 50%): Projects offered enhanced weather data, community-based early warning systems, disaster response plans, and climate risk mapping.
- *Ecosystem-based* (40%): Interventions supported adaptive land management, restored natural habitats, promoted community-based resource management, and established ecological corridors.

- *Behavioural* (33%): Results related to diversifying livelihoods and altering agricultural practices.
- *Educational* (25%): Projects focussed on raising awareness about adaptation, sharing local wisdom, community surveys, and research networks.

A smaller number of results aligned with the laws and regulations category (e.g. meteorology and combating illegal timber trade) or government policies (e.g. WASH policies, National Adaptation Plans, and integrating climate risks into national planning).

Information on adaptation results was inconsistent, with only half of interventions providing a detailed adaptation framework with outcomes, criteria, and indicators. This created challenges for categorisation of results. It should be noted that IPCC categories can overlap. For example, early weather systems fit both the technological and informational categories. Often, a single intervention pursued and achieved multiple adaptation outcomes, and most delivered results spanning multiple categories. ICI-interventions typically focussed more narrowly on specific themes, whereas bilateral/regional interventions, like those in water and sanitation, CSOs interventions and multilateral organisations had a diverse range of resilience objectives.

For results from multilateral organisations, it was impossible to pinpoint which were specifically due to Finland's funding. The scale of results varied according to instrument, with larger programmes and multilateral funds reporting vast areas of land under improved management or millions benefiting from climate-smart agriculture.

Impacts of climate adaptation

While expectations for transformational impacts within the portfolio are high, most have not yet emerged or been reviewed/verified. During a sub-sample analysis, potential long-term systemic changes of interventions were evaluated, such as shifts in policies, markets, and behaviours. Out of 25 adaptation-focussed interventions examined, 22 aimed to drive these lasting changes. However, many of these impacts are anticipated (and may emerge/be tested over time against increasing climate stress). This is especially for newer interventions where measurable outcomes aren't yet available. Some intervention reports lacked detailed impact information, even for interventions that had been completed or were advanced in implementation. Only a few interventions have undergone a thorough evaluation of their impacts.

Examples of impact within the portfolio include:

- 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 intervention's enduring success in bolstering resilience against extreme weather events and disasters.

- Another example on impact, 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 resilience of over 38 million poor people.

In addition, interventions' likelihood for wider scaling, replication or adaptation of outcomes was assessed, and for about a half of the interventions (13) this was found to be relatively strong. For example, the programme evaluation (2020) of GEF/LDCF concluded that the portfolio of the completed interventions has built foundations for larger scale interventions, 60% have done so from a large to a very large extent. In many cases wider scaling reflections were not found from the documents. It is important to note that here the results of the impacts can be considered as a proxy for the adaptation, since the sample of the 25 interventions include also results and impacts for mitigation.

There was evidence that some of the interventions might be sustainable – sustainability was especially related to the choice of partner and increased local capacity and ownership. The portfolio sub-sample analysis looked at also the evidence that outcomes and results are likely to be sustained over the long run. Similarly, as with the assessment of impacts, the sustainability results are considered as a proxy for the adaptation since the assessment also included outcomes and results for mitigation. Over a half (14 interventions of 25) were assessed to have evidence of the sustainability of the results. For example, in case of FAO's Forest and Farm Facility (FFF) the mid-term evaluation (MTE) (FAO 2016) found political and institutional support to sustainability, since in many FFF countries government agencies had integrated the FFF model in rural development discourse, particularly at sub-national levels, and were doing their best to ensure its success. The later MTE (FAO 2021) assessing the second phase of the FFF intervention (2018-2020) found that the sustainability of FFF grant interventions was influenced by broader contexts and external factors that were outside the FFF's ability to influence (such as COVID-19, extreme climate events, and fluctuations in commodity markets). It also pointed out that community forest tenure and access to ecosystem services are important enablers for sustaining climate change mitigation and landscape resilience. Finnish Red Cross development cooperation programme (2018-2021) focussed on sustained community-led resilience activities rather than community-based interventions, and sustainability strategies were based on analyses of financial, technical and other sustainability aspects of the activity and engagement of all key stakeholders. In the interviews, having long-term cooperation (which build trust between the partners), working through government structures or with local authorities, ensuring that intervention ideas are coming from committed communities, selecting partners which have a long presence in an area (i.e. also after the intervention will end), and promoting South-South learning were mentioned to support sustainability. In addition, having environmental and social safeguard framework implemented in all countries, conducting context specific analysis to understand adaptation needs, promoting certification (Programme for the Endorsement of Forest Certification (PEFC) and Common Agricultural Policy (CAP certification for agriculture) and providing high quality of products and services were also brought up to support sustainability in the interviews.

In some cases, the sustainability aspects were not discussed in the reports, or the information available was limited. In a couple of cases evaluations found challenges such as government agencies

limited capacity to address the concerns and problems faced by the community forestry groups and lack of sustainability planning or exit strategies related to the sustainability. A few interviewees brought up limited commitment as well as knowledge gaps related to climate risk management by government officials, and trained staff members changing their job. The last one has been tried to be mitigated by considering how issues can be part of the processes of the organisation (i.e. an issue for a whole organisation, not for a particular staff member), training more people than necessary and also taking care of the documentation (e.g. preparing manuals) of the issues.

It is difficult to assess how well the achieved outcomes and impacts addressed recognised challenges related to the adaptation. As mentioned in the reports of IPCC (2022) and UNEP (2022) most observed adaptation is fragmented, small in scale, incremental, sector-specific, and designed to respond to current impacts and near-term risks resulting in inadequate attention to the long-term viability of adaptation solutions. While many of the interventions provided good results, and did not contribute only to one sector, it was difficult to assess the extent to which engagements were too fragmented or had adequate attention to long-term solutions. The scale of the interventions was also variable, from smaller CSO interventions to larger investments of multilateral development banks (MDBs).

Support HRBA and CCO (gender, non-discrimination)

Many of the interventions provided results on gender equality. When reviewing the reports of 28 interventions, 12 interventions (43%) provided relatively good gender results or had clear indicators and monitoring system in place for gender equality (not able to provide results yet). For example, the IFAD reported (2022) based on its disaggregated data that women beneficiaries accounted 51% of the total in 2022. The agricultural research and education intervention analysed the ways in which women's household-level time burdens make the adaptation to climate change more difficult for them than for men and took these into account in policy analysis and in recommendations for policy and technological interventions. 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). In one intervention the gender issues were not discussed. Unfortunately, it was not possible to analyse by using marker data if the interventions were reported to contribute to both climate change adaptation and gender goals. This was due to fact that the gender marker has not been systematically used for the climate interventions. MFA has now clarified their guidance in this sense, and for example, reviewed the climate interventions of the year 2022 by also using gender marker.

Significantly fewer interventions were able to provide some results related to non-discrimination. Only 6 interventions showed that they had integrated also other than gender issues in their work and were able to provide some results. For example, indigenous peoples accounted 27% of the total beneficiaries in IFAD-funded interventions. WWF Finland supported WWF Nepal to integrate rights of persons with disabilities in natural resource management, climate change adaptation and disaster preparedness. Others (6 interventions) provided some anecdotal results/examples related to vulnerable groups. For example, it was reported that a small proportion of GCF funded activities targeted vulnerable people and groups. There were also interventions which had strategies and/or plans to integrate vulnerable groups such as indigenous peoples and persons with disabilities but they did not report any results (6 other interventions) Ten interventions did not provide any evidence on plans and results or only related to gender.

The assessment was based on the reports and evaluations available, e.g. for less than half of interventions there were an external evaluation report available. External evaluations and other reviews provide usually essential information on the quality of activities related to human rights/HRBA, gender equality and social inclusion. For example, in case of GEF/LDCF the evaluation (GEF 2021) found that although a majority of the interventions did include gender/sex-disaggregated data or gender-specific indicators in their results framework in design, even more interventions reported gender specific results. In case of IFAD, a thematic evaluation (IFAD 2023a) found that the recent designs of interventions are increasingly addressing the root causes of gender equality compared to earlier ones which were more focussed on establishing targets and quotas. According to the synthesis evaluation concerning IFAD (IFAD 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 the case of GCF, the second performance review (GCF 2023) concluded that in overall a small proportion of GCF funded activities target vulnerable populations.

Demands from MFA related to gender equality and HRBA in climate adaptation interventions led to increased attention by implementing partners – learnings with regards to best practices were still evolving. Being able to include gender equality in the project/programme activities was also brought up by many interviewees. Several interviewees said that including persons with disabilities to the activities of the project/programme has been clearly more difficult, although a few could also provide some concrete examples of that work. Also examples on further strengthening organisations' work related to CCO came up. For example, the FMI has cooperated with Finnish Red Cross and other national Red Cross organisations to support the early warning work and disaster risk management work at community level (including 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 CCO). In addition, Abilis Foundation/ Abilis Consulting Ltd has cooperated with some on the CSO (e.g. WWF Finland, Finnish Red Cross) to further strengthen their work in addressing disability issues.

With regards to the ICI-interventions, it was discussed in the interviews that there is a need to be realistic what could be expected from that type of instrument related to HRBA and CCO. It was pointed out that in the past the ICI-interventions have been relatively small , based around a small number of 3-5 days missions from Finland to the partner country. In addition, their limited focus was mentioned, i.e. the cooperation and related capacity building may have targeted only a certain part of the partner organisation. On the other hand, it was also pointed out that in the MFA's expectations and views on what can be demanded from the ICI-interventions related to the HRBA and CCO have varied.

Finnish implementing partners pointed to the need for better guidance as to the integration of gender equality and HRBA in climate adaptation work. In a couple of interviews, it was pointed out that the there is a need for more specific guidance and clarity (e.g. sector- or instrument-based) on HRBA and CCO and how to integrate these policy objectives into different kinds of climate adaptation interventions, also taking into account that guidance on CCO or application guidance for different instruments have evolved during the years. In addition, the amount of training available on HRBA and CCO has varied. For example, for the preparation and implementation of an ICI-intervention proposal there is a manual with different templates and facilitation consultant's support available. Facilitation consultant also organises training on different issues (based on a request by MFA). It was mentioned that especially HRBA and cross-cutting issues together with the result-based framework have been the issues where training support has been requested. It was also mentioned that there was a period of several years period in which training was scarce e.g. on

HRBA and CCO, because a new version of ICI manual was delayed (updating of the manual was supposed to take place soon after an evaluation conducted in 2014, but it happened in 2021, see MFA 2021b). The ICI manual was again updated in March 2023 (MFA 2023a) and the HRBA guidance was further strengthened in that version. The guidance on CCO has also updated a couple of times during the last years, the latest updated version was published in May 2023 (MFA 2023b).

Related to the PSIs, an updated version of the Public Sector Investment Facility (PIF) guidelines was published in 2021 (MFA 2021g), including guidance and questions related to human rights and CCO (both in the concept note and the project document phases). Finnfund has developed its human rights due diligence processes according to UN Guiding Principles on Human Rights during last years including preliminary reviews, screening, monitoring and grievance mechanisms. Finnpartnership has also strengthened its processes related to environmental and social responsibility including human rights.

Finland was a consistent advocate for gender equality in multilateral organisations receiving climate finance and together with like-minded countries contributed to ensuring increasing attention to mainstreaming and funding for gender equality. In 2017 the GEF updated its gender policy to become more active and gender responsiveness, and in 2019 the GCF also approved a more ambitious gender policy requiring that gender analysis and gender plans had to be made for the new interventions. In addition, the evaluation of Finland's development policy influencing activities in multilateral organisations (MFA 2020b) found that Finland has had an important role in gender equality being better reflected in IFAD's strategic results framework, operational guidance, and field operations. IFAD also increased its climate finance targets for adaptation and mitigation, focussed funding more on LDCs and made a strategy related to persons with disabilities. All these were also targets in Finland's influencing plan. Finland also successfully emphasised the rights of persons with disabilities in the funding round IDA19 which was agreed to be one of the cross-cutting themes.[2]

MFA took steps to strengthen the inclusion of gender aspects and HRBA in climate finance – including in international debates and to provide evidence for approaches. The discussions on gender equality are boosted by the European Union's (EU) target that 85% of all new programmes contribute to gender equality and women's empowerment. The MFA has its internal roadmap for this gender target, supporting its' operationalisation. The discussions on gender equality in climate finance are also going on among donors in the OECD's networks. It was also pointed out that when there is a discussion on gender equality in climate finance, it also provides the opportunity to discuss wider on HRBA. MFA also announced a study through UniPID (a network of Finnish universities) on disability issues related to climate negotiations and some climate finance channels (will be finalised during the autumn 2023). Finland is also a member of the Champions Group on Adaptation Finance with 12 other members. The Group was launched at the UN General Assembly in September 2021. In spring 2022 Finland hosted the meeting of the group. During the meeting the key priorities for group's work such as increasing the level, quality and accessibility of adaptation finance and that it reaches those most in need were discussed (MFA 2022b). Later on at the COP27 event Finland announced that it has endorsed the Principles for Locally Led Adaptation (IIED 2022). There are eight Principles, and Principle 2 is addressing structural inequalities faced by women, youth, children, disabled and displaced people, Indigenous Peoples and marginalised ethnic groups (IIED n.d.).

2 The evaluation team had some materials (up to year 2021) on Finland's multilateral influencing (e.g. influencing plans and synthesis reports), and the materials were reviewed focusing especially on those multilateral organisations which have been important for climate change adaptation finance (AF, ADF, GEF, GCF, IDA, IFAD).

1.6 Conclusions and forward look

Financing for adaptation as a share of total climate finance increased over the evaluation period, but it was still below the 50% policy goal. The largest share of climate finance is channelled through DPIs. These investments tend to focus on mitigation due to higher levels of commerciality associated with energy and infrastructure interventions and more measurable expectations of revenue and returns.

In terms of the volume, most of the adaptation finance derived from Finnish contribution to multilateral institutions. The relative share of funding for adaptation was the highest when channelling through Finnish partners. Finland allocates its climate change adaptation funding through multiple channels and instruments, including its bilateral/regional cooperation, institutional cooperation instrument (ICI), CSOs support, research cooperation, PSIs and support to multilateral organisations (development banks and climate funds). However, clearly a major part of its adaptation funding flows through the multilateral organisations, either as a core funding or as development investments.

Finland's climate adaptation financing is highly relevant as it is aligned with and supports the implementation of international agreements, reflected in the MFA and partner intermediary policies, as well as responding to the needs of developing countries. The international agreements and frameworks (e.g. the UNFCCC, the Paris Agreement, SDGs and the Sendai Framework for Disaster Risk Reduction), Finland's development policy priorities, organisations' own strategies as well as partner countries and organisations urgent needs related to adaptation were found to drive the design of adaptation interventions or adaptation activities in interventions and programmes. In addition, considerable appropriations were designated to the relevant multilateral organisations such as the GCF, GEF/LDCF, IFAD and AF. The GCF, the GEF/LDCF and the AF are globally recognised as the largest sources of funding for adaptation interventions. Thus, Finland's adaptation interventions examined were relevant for the global and developing country objectives and coherent with Finland's development policy objectives. Furthermore, Finland's adaptation interventions seemed to complement other actors' climate change adaptation work.

There were good results in areas such as food and nutrition security, meteorology and disaster risk reduction and forests and biodiversity under the policy priority area climate and natural resources. Many of the results can be described as technological, e.g. developed early warning systems, water saving technologies and climate-smart crop varieties; or informational (e.g. improved weather information and warning messages, mapped climate risks and vulnerabilities); or ecosystem-based (e.g. climate resilient land management, restored water catchment areas, forests or other natural habitats). To the extent these results was picked up and replicated they were likely to have good impact and be sustainable. However, there was not yet clear evidence to conclude firmly on this on a wider scale.

Gender equality was well integrated into the intervention planning and to some extent also the HRBA – and there was evidence of results but limited attention to lessons learned about specific gender and HRBA issues in climate finance. Considering the CCO, gender equality was quite well supported in the adaptation interventions as they often focussed on improved agricultural/livelihood practices. Almost all interventions brought up gender equality in their planning

documents, and many of them were also able to provide at least some gender-related results. It is possible that Finland's active policy influencing together with like-minded countries of multilateral partners on gender equality is reflected, since at least in the case of the IDA, IFAD and the GEF policy influencing was reported successful, and these organisations also provided gender-related results. Based on the planning documents and the results reported, the HRBA was addressed in variable ways. Programmes of the CSOs and bilateral/regional interventions provided the most profound descriptions how HRBA had been integrated in their interventions. The non-discrimination, especially the social inclusion of persons with disabilities, was clearly a more challenging CCO. It was included to some extent in the planning documents of the interventions, but a few were able to provide results related to it. There is less information on successful policy influencing cases related to the rights of persons with disabilities, except the funding round IDA19 where rights of persons with disabilities was agreed to be one of the cross-cutting themes.

1.7 Annexes

1.7.1 Annex 1. The list of interventions included in the adaptation case study

PROJECT NO.	PROJECT NAME	CHANNEL
29892301	INT/ICRAF Forestry Sector Cooperation	Bi/regional
66014228	Rural Village Water Resources Management Project (III phase)	Bi/regional
58900301 58900201	Adapting to climate change in Oceania/S-E Asia (FINPAC)	Bi/regional
29891601	Impacts of climate change on ecosystems in Eastern Africa (AFERIA)	Bi/regional
89808701 (multiple project IDs)	FELM programme-based support (2018-2021)	CSO/INGO
248SP179 (multiple project IDs)	Finnish Red Cross programme-based support (2018-2021)	CSO/INGO
Multiple project IDs (including: 62200, 62800, 62300, 62100)	WWF programme based-support (2018-2021)	CSO/INGO
29892471	AfDF Concessional Donor Loan, ADF-15	Dev pol invest
89893118	IFAD: Concessional Partner Loan (CPL)	Dev pol invest
76909124	Upgrading the Rainfall Storm and Lightening Detection Capabilities of National Hydro-Meteorological Service	Dev pol invest
23816909	PIF Ethiopia: Improving meteorological observation infrastructure & forecasting capabilities of the National Meteorological Agency (NMA)	Dev pol invest
2001909	Finnfund (agricultural services)	Finnfund
2013028	Finnfund (forestry)	Finnfund
2009012	Finnfund (forestry)	Finnfund
67302615	Capacity Building in the Field of Meteorology	Institutional coop
28924134	Sudan & South Sudan ICI: Promoting Adaptation to Climate Change Through Improved Services Phase II	Institutional coop

PROJECT NO.	PROJECT NAME	CHANNEL
29891501	CGIAR - cooperation on agricultural research and education	Research coop
89891974	Green Climate Fund; first replenishment	Multi-core
89891843	IDA 17- Replenishment of the IDA	Multi-core
89891963	GEF - INT/Least Developed Countries Fund (LDCF)	Multi-core
89849501	Adaptation Fund	Multi-core
89893003	Nordic Development Fund – Capital increase	Multi-core
28816604	Oy BioSorbio Ltd	PSI-grant
89893051	World Meteorological Organisation – WMO CREWS	Thematic, multi/other
89892232	Forest & Farm Facility	Thematic, multi/other
64516714	Climate Modelling and Observations in India, ICI FMI	Institutional coop
28235767	LUKE INFORES Implementation of Forest Data in Tanzania	Institutional coop
81805001	INGO Aid to the International Union of Forest Research Organizations	CSO/INGO
Additional adaptation interventions		
Multiple IDs e.g. 23816921	Community-Led Accelerated Water Sanitation and Hygiene in Ethiopia (COWASH)	Bi/regional
89859001	Programme for Finland's Water Sector Support to Kyrgyzstan and Tajikistan (FinWaterWEI II)	Bi/regional
Multiple IDs e.g. 89892873	Food and Forest Development Finland (FFD) projects	CSO/INGO

1.7.2 Annex 2. References

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2 CASE STUDY 2: SUPPORT FOR PRIVATE SECTOR

Table of contents

2.1 Introduction

2.1.1 Background

This case study constitutes one of 4 prepared for the Ministry of Foreign Affairs (MFA) Evaluation of Finland's International Climate Finance. The other case studies are (1) Adaptation and Cross-Cutting Objectives, (2) Finnish institutions and interests; and (3) Tanzania Country Case Study.

The purpose of each Case Study is to apply the overarching EQs, design and methodology of the strategic level evaluation while adapting their analysis for the specifics of the thematic context. The case studies provide findings against EQ1 and EQ2, and address implications for the future (EQ3).

The specific objectives of each case study are:

- To provide a contributory evidence stream to the overall strategic evaluation;
- To help interrogate the wider theoretical framework for the evaluation by generating evidence to inform it, and
- To generate lessons/implications to help inform MFA stakeholders in their work relating to climate finance as part of the constructive approach adopted by the utilisation-focussed model of the overall evaluation.

No Case Study is explicitly a full evaluation of Finland's Climate Finance in its context, which would be beyond its remit. Accordingly, it does not provide recommendations but rather proposes some lessons/implications to support internal dialogue and learning.

2.1.2 Context

Finnish development policies recognise the role of the private sector in promoting climate action in developing countries. By proving capital, investing in climate relevant interventions, and developing and applying climate friendly technology, the private sector can support a transition to a low carbon climate resilient development pathway.[3] At the same time, Finnish policies stipulates a role for the public sector in helping to mobilise the private sector to play this role by support for de-risking the participation of private actors in the climate effort. The Marin Government Programme: 'In its own development policy, and in its actions within the EU, Finland will support an increase in both private funding and corporate involvement in regard to investments that promote sustainable development in the developing world'. This involvement of private sector relates both to the private sector in the developing countries as well as to the Finnish private sector companies and investors.

3 Finnish Public International Climate Financing Investment Plan, MFA 2022b.

Finland has a variety of instruments funded by official development assistance (ODA) to promote private sector mobilisation. They include the DPI Instrument, Finnfund, the PIF, the Finnpartnership, and DevPlat and specifically for Africa the Energy and Environment Partnership.[4] 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 recently got climate targets, the remaining instruments do not have climate targets, but climate is mentioned in their remits.

2.1.3 Purpose

The purpose of this case study is to review the strategy (rationale and coherence) of efforts to support private sector climate action within Finland's climate portfolio as well as the results achieved so far as a contribution to answering the EQs outlined for the main report (EQ1 and EQ2). The focus of this study will be on Finland's dedicated investment through the DPI for trust funds attached to MDBs[5]. A secondary focus will be on the other types of private sector activity funded by Finland as outlined above. Finally, the study will draw conclusions with regards to the experience so far with a view to informing the forward look of the evaluation (EQ3).

2.1.4 Methodological Approach

The study assesses the context for private sector engagement in which Finnish activities are situated. It reviews and analyses the Finnish strategy with regards to private sector involvement based on an analysis of intervention documentation with regards to Finnish contribution to Trust Funds, to include an assessment of Finnish influence on intervention formulation, monitoring and reporting at Trust Fund level. A simple reconstructed theory of change provides the analytical framework in which to assess the likelihood of sustainable and transformative results. These analyses are be complemented with interviews with MFA and intervention partners as well as other Finnish stakeholders. The intention is not to evaluate the performance of the MDBs or Finnfund, against their mandates, but to assess the Finnish MFA cooperation with these entities, the alignment of the activities with the Finnish climate objectives, discuss their relevance, coherence, and the types of benefits they are likely to contribute to, with a view to discussing learnings that can inform future cooperation.

2.1.5 Limitations

Most of the contributions to MDB trust funds are at an early stage of implementation. This implies that evidence with regards to results and impact is limited. Another limitation is access to full information about the concrete interventions funded by the trust funds or Finnish PSIs as they are often

4 https://um.fi/opportunities-in-development-cooperation-for-the-private-sector

5 The reference to trust funds related to MDBs cover – the Finland-IFC BFCP, Finland's support to the multi-donor fund ADB-Ventures and Finland's contribution to EBRD HIPCA. The 2023 contribution to the Finland- IDB Invest Climate Fund is mentioned, but falls outside the scope of this evaluation.

confidential, with commercial information around private sector transactions shared in confidence with the MDBs or Finnfund/Finnpartnership etc. MFA does have access to some of this information through their participating in e.g. World Bank Group (WBG), European Bank for Reconstruction and Development (EBRD) and Finnfund Board meetings, where these investments are discussed and approved, but such company specific information cannot be made available outside of the institutions and governments.[6]

6 This limitation is recognised as an issue in evaluations of blend finance instruments, see https://www.oecd.org/dac/evaluation/evaluating-private-sector-blended-finance.htm

2.2 Context

2.2.1 Background to private climate finance

Availability of private sector finance for investments to reduce Greenhouse Gas (GHG) emissions and enhance resilience to climate impacts remains a critical factor for the green transition. The IPCC identifies the lack of financing as one of the most serious gaps in the green transition.[7] Even though financing for mitigating actions had increased over the last decade, it was unevenly distributed amongst countries and fell short of the levels needed to limit warming to below 2 degrees or to 1.5 degrees.[8]

The need for finance in the range of trillions of USD a year to promote the green transition depends on mobilisation of private capital and investors also in developing countries. [9] For this to happen at scale the enabling environment needs urgent attention including:

- political strategies for a green transition backed by policies and regulatory framework conditions ensuring an enabling environment in which to invest, and institutional capacity to implement those conditions,
- macro-economic stability to ensure investor confidence – globally and at country level,
- deepening of national capital markets to engage national investors in the transition, including better assessment of climate related financial risks to re-direct financial flows and reduce the risk premium related to climate friendly investment,
- on the supply side, financial market development that promote capital mobilisation as well as instruments for de-risking.

Annex 1 provides a more detailed overview of challenges to scaling private capital mobilisation.

Private sector engagement in technology development and uptake is important for solutions to climate change and for driving costs of mitigation and adaptation down. The public sector can invest in R&D but for technological solutions to be brought to scale they need to be picked up and further invented by the private sector. Over the past decade, GHG mitigation solutions - notably solar and wind energy, electrification of urban mobility systems, energy efficiency measures, improved forest and agricultural practices have become increasingly cost effective, including through economies of scale. Over the past decade, the unit cost for solar was reduced by 85%, wind by 55% and lithium batteries by 85%.[10] For this to happen a combination of political

7 https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf

8 The IPCC report 2022 chapter 15 provides an overview of issues related to estimating financing needs for the green transition, finance availability and hindrances, and efforts underway to ensure better alignment of private financial flows with the Paris Agreement https://www.ipcc.ch/report/ar6/wg2/

9 See e.g. LSE Nicolas Stern et al IHLG Finance for climate Action https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/11/IHLEG-Finance-for-Climate-Action-1.pdf November 2022

10 IPCC report 2022 https://www.ipcc.ch/report/ar6/syr/downloads/report/IPCC_AR6_SYR_SPM.pdf

strategy, supportive framework conditions and availability of finance had to be available for the private sector to engage at scale.

ODA can support mobilisation of the private sector through improving framework conditions and regulatory reforms, as well as through the use of blended finance instruments with the purpose of de-risking the environment for investments alongside specific transactions. Figure 5 gives an overview of climate finance from bilateral and multilateral sources as well as climate finance mobilised by public climate finance. ODA in support of reform efforts in developing countries is included as part of bilateral and multilateral public climate finance. Support for mobilisation of climate finance for individual transactions based on public sector interventions is recognised as part the UNFCCC agreement that developed countries provide USD 100 billion for climate action for developing countries by 2020. The share of mobilised private climate finance over the period 2013-2020 decreased (from 24% in 2013 to 16% in 2020) as mobilisation stayed at roughly the same level while in particular public climate finance through multilateral channels increased. The fastest increase in climate funding in the period 2013-2020 was due to MDBs investing more in climate – the levelling off in 2019-2020 was caused by the COVID-19 situation and redirection of funds.

Figure 5 Climate finance provided and mobilised by public sources 2013-2020[11]

	2013	2014	2015	2016	2017	2018	2019	2020
Bilateral public climate finance (1)	22,5	23,1	25,9	28	27	32	28,7	31,4
Multilateral public climate finance attributable to developed countries (2)	15,5	20,4	16,2	18,9	27,1	30,5	34,7	36,9
Multilateral development banks	*13*	*18*	*14,4*	*15,7*	*23,8*	*26,7*	*30,5*	*33,2*
Multilateral climate funds	*2,2*	*2*	*1,4*	*2,6*	*2,9*	*3,5*	*3,8*	*3,5*
Inflows to multilateral institutions (where outflows unavailable)	*0,3*	*0,4*	*0,4*	*0,6*	*0,5*	*0,3*	*0,3*	*0,2*
Subtotal (1+2)	**38**	**43,5**	**42,1**	**46,9**	**54,1**	**62,1**	**63,4**	**68,3**
Climate-related officially-supported export credits (3)	1,6	1,6	2,5	1,5	3	2,7	2,6	1,9
Subtotal (1+2+3)	**39,5**	**45,1**	**44,6**	**48,5**	**57,1**	**64,8**	**66**	**70,2**
Mobilised private climate finance (4)	12,8	16,7	N/A	10,1	14,5	14,7	14,4	13,1
By bilateral public climate finance	*6,5*	*8,1*	*N/A*	*5,2*	*4*	*3,8*	*5,8*	*5,1*
By multilateral public climate finance attributable to developed country	*6,2*	*8,6*	*N/A*	*4,9*	*10,5*	*11*	*8,6*	*8*
Grand Total (1+2+3+4)	**52,4**	**61,8**	**N/A**	**58,5**	**71,6**	**79,9**	**80,4**	**83,3**

Note: The sum of components may not add up to totals due to rounding. The gap in time series in 2015 for mobilised private finance results from the implementation of enhanced measurement methods. As a result, grand totals in 2016-20 and in 2013-14 are not directly comparable.

Source: Based on Biennal Reports to the UNFCCC, OECD DAC and Export Credit Group statistics, complementary reporting to the OECD.

Source: OECD 2022a

Despite policy intentions by many donors and International Finance Institutions (IFI) alike, the increase in mobilised private climate finance did not materialise – it did not follow the increase in the trend for private finance mobilised for SDGs. Private capital mobilised for the SDGs tripled over the same 2013-2022 period from USD 15.3 billion in 2013 to an average of USD 48 billion a year 2018-2020.[12] While there are differences in accounting as private capital mobilised

11 OECD 2022b

12 OECD 2023: Private Finance mobilised by Official Development Finance Interventions https://www.oecd.org/dac/2023-private-finance-odfi.pdf

for climate is accounted based on the agreement in the context of the UNFCCC which implies that only capital directly related to climate and directly attributed to developed country activities – it nevertheless suggests that there is still a huge potential for mobilizing private capital for climate and that efforts so far have been less effective. The largest sector benefitting from private sector mobilisation is financial sector development, suggesting that policy efforts to green the financial sector could have a big impact on mobilisation for climate action. Details as to private sector mobilisation with regards to sources and instruments are provided in Annex 2.

The role of MDBs is at the centre of current international discussions of mobilisation of private capital – the importance of moving beyond the intervention level is key to mobilisation at scale. This on-going discussion point in particular to a more active approach by MDBs including in the following areas: 1) strengthening the investment climate, working in collaborative approaches with countries to define priorities for investments, develop necessary policy reforms and support their implementation incl. through policy lending; 2) in collaboration with the private sector develop a pipeline of bankable interventions 3) support for de-risking e.g. exchange rate risks, development and deepening of local capital markets; 4) improving the use of blended finance by developing successful models, scaling up portfolio approaches, focussing on impact and strengthen governance and disclosure to ensure value for money. A move in this direction will imply a shift from the current intervention/transaction approach to a country approach with support for detailed analysis and policies on which basis bankable interventions can be designed that can drive private sector investments at scale. Donor trust funds can play an important role in support for analytical work, feasibility studies for pipeline development, and capacity building at country level to implement reforms. While many of the ongoing reforms incl. better use of head room, lowering the capital/loan ratio etc. does not require additional capital from shareholders, other ideas involve additional capital, incl. a green capital increase, loss and damage funding, and temporary subscriptions of callable capital, and possible use of loans and guarantees to enlarge the capital base. MDBs could also consider expanding their capital by developing more MCPP- type[13] vehicles which is another way of mobilising private institutional investors on at portfolio basis.

Also, for bilateral providers, mobilisation of private capital for climate action remained high on the agenda. According to the OECD survey of providers' plans with regards to mobilisation of private capital, 31 out of 39 respondents said they planned to scale up private mobilisation. Amongst the bilateral providers, there is interest in working more with Development Finance Institutions (DFI),[14] funds and facilities incl. with IFIs. With regards to partnerships with the private sector, eyes are on institutional investors, as well as commercial banks, but some also mention private companies and private foundations.[15] This increased attention to mobilising the private sector for climate action was confirmed also in interviews with peers in the context of this evaluation.[16]

The use of blend finance instruments require attention to impact, additionality, concessionality and potential market distorting effects. DFIs and donors alike have developed principles for the use of blend finance instruments with a view to a focus on development impact and avoiding market distortions. Internally in DFIs there need to be strong governance to assess the need

13 IFC MCCP- Management co-lending Portfolio Programme see https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=26689

14 DFIs refers to all Development Finance Institutions – incl. MDBs and national DFIs, such as Finnfund.For ex. DFIs meet in the context of the DFI working group on Blanded Concessional Finance to agree parameters for use of blended finance instruments. This work incl. multilateral and regional development banks and national development finance institutions, incl. the European Development Finance Institutions to which also Finnfund belong.

15 https://www.oecd.org/dac/2023-private-finance-odfi.pdf

16 See Note on Peer policies and actions for climate – the case of Canada, Ireland, Sweden and Switzerland.

for concessional funds as well as the potential market distorting impacts, e.g. IFC has a two-step approval process for interventions involving blended finance, as they have to pass a review of the Blended Finance Committee where the justification for the use of blended finance is assessed. Box 1 provide an overview of the main principles.

Box 1 Main principles for use of blend finance

- Development Impact – the economic rationale for the investment – value-added e.g. in overcoming market failures and benefits to society beyond the return, alignment with national development plans,
- Additionality and crowding in commercial finance with minimum concessionality – provide the minimum support necessary and ensure the maximum contribution from the private sector,
- Focus on commercial sustainability – design with a view to commercial sustainability,
- Create and reinforce markets – strong focus on enabling environment to ensure long term viability of interventions and scaling,
- High environmental, social and governance standards,
- Monitoring and disclosure – strong monitoring frameworks related to the interventions and preferable to the market im-pacts. High levels of transparency and accountability in the use of funds through disclosure.

Sources: IFC Blend finance Principles and OECD Blend Finance Principles. [17]

DFI transparency and disclosure regarding the use of blended finance instruments are essential to avoid market distorting impacts. Blended finance can become an instrument of competition amongst DFIs in an environment where interventions are not readily available, and preparation takes time for a number of reasons incl. possible changes to policy and regulatory frameworks that need to happen as part of the de-risking of the intervention environment. This situation is further aggravated by the incentive structure in the MDBs.[18] Transparency and disclosure regarding the use of blended concessional finance varies between the DFIs and also within DFIs as to what information is made available regarding e.g. the structure of the full financial transaction to which the blended finance is contributing.[19] Since 2017 DFIs have been meeting regularly to gather data on the use of concessional finance in accordance with the established principles not least to ensure the 'crowing-in/minimum concessionality principle'.[20] Despite this work there is still a long way before information on use of blended finance is readily available.

17 https://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/OECD-Blended-Finance-Principles.pdf and https://www.ifc.org/content/dam/ifc/doc/mgrt/emcompass-note-105-blended-finance-benefits-of-transparency-and-access.pdf

18 See e.g. https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/11/IHLEG-Finance-for-Climate-Action-1.pdf

19 See e.g. https://disclosures.ifc.org/ and https://www.ebrd.com/project-finder For some IFC investments the full investment package is available allowing to assess private finance mobilised, this was not the case for EBRD in the projects checked.

20 IFC: https://www.ifc.org/content/dam/ifc/doc/mgrt/emcompass-note-105-blended-finance-benefits-of-transparency-and-access.pdf

2.3 Finland's strategy on private sector climate finance

2.3.1 Finnish Strategy

Finland recognises the importance of private sector mobilisation including mobilisation of private capital for climate action.[21] The strategic drivers for this decision follows from the international discourse introduced above and includes the global recognition that the private sector is key for reaching the climate goals both in terms of capital mobilisation, innovation and technology development, and scaling of new solutions. Furthermore, the Finnish governments also seeks to promote Finnish companies' active participation in the global green transition as it represents an important market opportunity. More below in the context of EQ1.

In response to the funding gap for the SDGs and following the cut back in Finnish ODA in 2016, the Finnish MFA developed the DPI. The main aim was to support sustainable development and jobs through support for companies that have difficulties in accessing capital for growth in line with Finish development priorities. DPIs can also support 'societies' preconditions to operate e.g. energy production from renewable sources.[22] Hence the DPI was originally not targeted towards climate action but financing of climate activities played a big role from the outset; a climate target was only added in 2020. DPIs are made in the form of either concessional loans (low interest rate and long tenor) or investments.[23] The loans are made under a special provision in the budget implying that the loans are expected to be budget neutral. It is only the net- grant equivalent of these loans and investments that can be calculated as ODA. DPIs have been used to provide core funding for IFAD and the African Development Bank (AfDB) though the provision of the so-called partner loans. These loans are not dealt with here but in the context of Finnish influence on IFIs with regards to climate.

In MFA's support for private sector mobilisation for climate through the DPI, the emphasis has been on mobilisation through two channels – trust funds for co-financing of MDBs and capital contributions to Finnfund – all with policy demands to work with the Finnish private sector. These investments cover a trust fund with IFC – the IFC Finland Blended Finance for Climate Program (BFCP), the capital funding of Asian Development Bank (ADB) Ventures, and a contribution to the multi-donor trust fund in EBRD - the HIPCA. Disbursements from a single agreement may be split over multiple years based on annual budgets. There were expectations that Finland could work with the MDBs in providing climate solutions.[24] In the case of Finnfund,

21 Finnish Public International Climate Financing Implementation Plan: Introduction.

22 Development Policy Investments – Finland's response to the funding gap of the SDGs.

23 The MFA distinguishes between loans – e.g. partner loans, e.g. for IFAD with a fixed interest rate; and investments, e.g. in the Finland-IFC BFCP Trust Fund, where there is no fixed interest. For the MDBs the contributions to the Trust Funds are seen as loans as they have to be repaid, and they are booked as loans in the accounts of the MDBs. In the following the distinction used by Finland MFA is used.

24 In the appropriation note regarding support for IFC, it is suggested that the support for Finland-IFC BFCP 'provides 'pathways for Finnish companies to internationalise towards global markets" 29.09.2017 – translation.

the political attention on Finnfund working with Finnish companies as stipulated in the Finnfund law, is also increasingly coming to the forefront.

Table 3 The Development Policy Investments interventions to support mobilisation of private capital for climate investments, million EUR 2016-2021

	2016	2017	2018	2019	2020	2021	TOTAL
Finnfund	130		130	80			340
IFC BFCP		114					114
ADB Ventures					20		20
EBRD/HIPCA					29.7	10	39
Total	130	114	130	80	49.7	10	513

Source: MFA DPI Annual Report 2021 (Translated) January 2023

According to the Investment Plan for 2020-2023, 75% of total DPI should target climate. By end-2021, 56% of investments in the 2020-2021 period were dedicated for climate. It may prove difficult to reach 75% as long as a significant share of the DPI is used for core funding of MDBs and IFAD (26 over the 2016-2021 period), where the climate target is between 35% and 40% of new commitments; and as long as contributions to Finnfund are not dedicated to climate. Finnfund activities related to climate have been increasing for the past years in line with the steering documents from the MFA that from 2022 sets a target of not less than 50% for climate. Similarly, the Investment Plan 2020-2023 set targets for Africa and gender – which have been reached in the initial period. Finnfund reports 72% of the funding went to Africa (incl. North Africa) compared to the target of 60% + and 89% of the funding includes gender equality target compared to a target of at least 85%.

Table 4 Targets in the 2020-2023 DPI Investment Plan and progress so far

% SHARE OF FUNDING	CLIMATE SHARE TARGET (%)	PROGRESS 2020-2021 (%)	STATUS
Climate	>75	56	Not achieved
Africa (incl. North Africa)	>60	72	Achieved
Gender	>85	89	Achieved

Source: MFA Policy Investments Annual Report 2021, published January 2023

2.3.2 MDB co-financing for private sector

Co-financing of MDB climate interventions plays an increasing role in Finnish climate finance: Financing for MDBs with the purpose of supporting mobilisation of private capital for climate investments is a relatively new invention and impact.

- **Finland- IFC BFCP** (IFC Finland Blended Finance For Climate Program) - was established as a single donor Trust Fund between IFC and Finland in 2017 with an investment from Finland amounting to EUR 114 million. The purpose is to unlock private finance into climate interventions and catalyse innovative investments. The concessional funding will be provided alongside IFC own commercial funds and other investors in climate interventions. The intention was to fund higher risk interventions with innovative financing structures and catalyse additional private funding for climate investments. A key element was to strengthen the cooperation between IFC and Finnish stakeholders incl. private companies. In 2018 the investment was supplemented with a grant of EUR 1.5 million to support pre-feasibility studies, incl. related to financial structure, and piloting new technologies. The IFC developed green field investments for which it uses own resources for up-stream analysis and addressing barriers to investments – creating markets and promote de-risking for private sector operators. Once an intervention was ready, finance from one of the Trust Funds available for IFC was brought into play based on discussion with trust fund holders such as Finland. The use of blended finance is approved by the IFC Blended Finance Committee that has been set-up with the purpose of compliance with IFC blended finance principles, to ensure additionality and not distort markets. All investments co-funded by the Finnish BFCP are eventually approved by the WBG Board, where Finland is also represented. This is the first DPI investment and, in the appropriation, note there is strong focus on repayment as well as opportunities for the Finnish private sector.
- **ADB Ventures Investments Fund (ADB Ventures)** – was established in 2019 and started its operations in 2020. It was established by ADB as a separate entity to boost investments in early-stage companies, which often face difficulties to raise capital in the growing Asian market of venture capital investments. The business model of ADB Ventures is to help companies with good impact potential to scale their technologies raise capital in the Asian venture capital market by providing initial capital. (Companies do not have to be located in developing Asian countries and presently includes companies from developed countries like Korea, United States of America (US) and Germany). The purpose is to support innovative technological solutions incl. to climate mitigation and adaptation (80% of portfolio targeted for climate). The Ventures Investment Fund is independent from ADB but relies on ADB for leads and for networks in Asian countries as well as due diligence of interventions, hence it is subsidised by the ADB. The Fund management sources the interventions. The size of the Fund is USD 60 million - Finland provided EUR 20 million, Clean Technology Fund USD 13 million, Nordic Development Fund USD 9.7, and Korea Ventures investment USD 10, and Korean Ministry of Economics USD 5 million. Investments are typically USD 2-4 million, but the first investment can range from 100,000 -4 million USD. ADB Ventures provided impact targets to be reached during the full investment period, incl. expected GHG emission reductions and number of people with enhanced resilience.
- **EBRD HIPCA- EBRD** multi-donor trust fund to accelerate climate and environmental action. Launched in 2021, the purpose is to support investments and policy solutions to support climate mitigation and adaptation, including by creating and reenforcing policies and environments that unlock the private and public sector investments. HIPCA brings together the full palette of EBRD policies and instruments to strategically address policy and funding gaps. EBRD develops the pipeline of interventions and brings in the HIPCA when the situation warrants it to improve impact though the use of the primarily grants funds. Donors are asked to accept - on a no-objection basis - funding for each intervention to which funds from their contribution is used. Allocations

from the HIPCA are small – typically EUR 2 million per intervention.[25] All investment interventions go through the EBRD Board due to the substantial input from EBRD's own account into each intervention. The policy is that the EBRD should finance from its own account at least 50% of the total intervention costs. As of 2022 donors provided close to EUR 200 million in primarily grants to HIPCA – Finland EUR 39.7 million (investment) plus EUR 2 million for technical assistance (grant) United Kingdom (UK) EUR 57; Taiwan USD 50 million, Netherlands (NL) EUR 20 million etc. HIPCA gives opportunity for different donor preferences with regards to geographical focus. Finland, NL, and Spain focus on Southern and Eastern Mediterranean. Most of the funding for HIPCA comes in the form of grants, and approximately 25% of HIPCA funds are grants for technical assistance activities related to framework conditions for market development. Finland in its appropriation note stressed that the Finnish investment is targeted towards investments in interventions and made a link to the possible participation of Finnish companies.

- **Finland-Inter-American Development Bank (IDB) Invest Blended Finance Climate Fund.** Finland in 2023 made a 50 MEUR investment in a bilateral blended finance climate fund established together with IDB's private sector arm IDB Invest. The objective of the fund is to support green transition and improve resilience and adaptation capacity in Latin America and the Caribbean region, while catalysing greater private investments. Much like the Finland-IFC BFCP, this fund provides concessional funding alongside IDB Invest's own commercial capital (rate is 1 to 4), and other investors in climate interventions. The intention is to fund higher risk interventions with innovative financing structures and catalyse additional private capital for climate investments. The fund will finance approximately 5-8 interventions, with a maximum funding size set for 10 MUSD for each intervention. Like in the other funds, there is an expectation that the fund could also invest in interventions that have Finnish interest linked to them. Therefore, the fund has been advertised for Finnish companies and Business Finland has searched from Latin America and the Caribbean area potentially suitable Finnish private sector interventions.[26]

25 HIPCA Annual Report 2022 Annex

26 Information provided by the MFA September 2023– this Fund is too recent to be included in the evaluation and is only mentioned here for information purposes.

Table 5 Comparison between the co-financing funds with MDBs

NAME OF FUND	CLIMATE SHARE% MITIGATION/ ADAPTATION	GEOGRAPHY	PRIORITY SECTORS	INSTRUMENTS/ EXPECTATIONS LEVERAGING	PRIVATE SECTOR MOBILISATION: POTENTIAL FOR LEVERAGING -	FRAMEWORK CONDITIONS/SINGLE TRANSACTION
IFC BFCP	100% (10% adaptation) Mitigation Adaptation	100% LDCs, LICs and LMICs	Renewable energy, energy efficiency, agriculture, forestry, water, wastewater, meteorology, and food security New solution and scaling old	Equity, senior and mezzanine debt, and guarantees	1: 7 Clarified: IFC: 3 Other DFIs: 2 Private:2 Open to work with Finnish companies	Transaction focussed. Synergy with IFC 3.0 framework conditions – pressure from the WBG Board for a WBG approach
ADB Ventures	80% Mitigation Adaptation	Asia – Strategy to reach LICs to go through LMIC established ventures capital providers. E.g. Indian providers into Nepal. Supports companies domiciled globally (US, Germany, Korea)	Innovative technologies – focus on cleantech in energy, agriculture, financial inclusion, and e-waste	Equity, quasi-equity with which ADB Ventures, mezzanine debt, subordinate debt and venture debt Initially co-invests with top-tier local investor – loans USD 0.5 m to USD 1.0 m.	1:6 ADB not foreseen to provide funding Pursuing cooperation with Finnish companies as they are seen as having useful technologies. All donors to ADB Ventures have focus on their own private sector	Transaction based only – single or portfolio. Small grant funds to support technical assessments of interventions, and for exploration (the Lab Programme)
EBRD HIPCA	100% Mitigation and Adaptation	EBRD countries – option to have regional focus. E.g. Finland focus on Southeastern Mediterranean region SEMED with 80% of funding for North Africa. (all LMICs).	Climate and environment New technological solutions and approaches to climate	Credit lines, loans, equity, grant start-up funds providing advisory services.	Minimum 50% of total intervention funding comes from EBRD own account. Unleashing private and public sources of funding for climate.	Combined framework conditions and single transactions. Policy objective to ensure market creating impacts – changes to frameworks and regulatory conditions in markets and for companies linked to the individual transactions.
IDB Invest	30% Mitigation and adaptation	Latin America and the Caribbean	Broad – but a large climate portfolio.	Senior and mezzanine debt, Guarantees, Equity and performance based initiatives.	1: 16 12: IDB own resources 4: private capital	Transaction – single, portfolio.

2.3.3 Finnish private sector instruments

Finland also had PSIs that directly target support for the engagement of the Finnish private sector. The most important instruments are Finnfund, Finnpartnership and the DevPlat under Business Finland, and the PIF. Here the focus will be on Finnfund, only marginally touching upon the other instruments as they are also covered by the Finnish actor study (Case study 3 in this volume). The instruments are intended to support the private sector in various ways along a continuum – starting with support for market exploration and ending with large scale investment (see Figure 6).

Figure 6 Finnish based Private Sector Instruments that could support mobilisation of private capital for climate

Source: MFA Internal Documentation

Finnfund is a Finnish impact investor primarily owned by the Finnish government, often collaborates with other DFIs or partners from the private sector in developing countries. Finnfund does not prioritise partnering with Finnish companies but rather co-invests with other DFIs and/or developing countries private sector actors as well as with Finnish companies. Recent capital injections from the DPI have spurred a heightened interest in collaboration with the Finnish private sector, prompting the MFA to set specific targets for Finnfund. Annually, Finnfund allocates EUR 200-250 million across 20-30 interventions. In 2021, they adopted a strategy centred on 'People and Planet,' setting ambitious goals for 2022-2025. This includes doubling their impact, maintaining a carbon net negative portfolio (primarily through forest investments) and ensuring that by 2030, half of their investments are paired with private capital, inviting institutional investors to finance Finnfund's expansion. Committed to the Paris Agreement's principles, Finnfund prioritises climate, along with gender and inclusion and digitalisation, as its main global impact themes. As per the 2022 MFA directive, over half of Finnfund's investments should be climate-oriented, with a preference for half of that amount to be directed towards adaptation.[27] Finnfund focusses on intervention transactions and lacks the resources for non-project activities. Their climate initiatives support Finland's broader international climate finance goals.

27 Finnfund Ownership steering 2022-2023. Translation

Box 2 Finnfund alignment with the Paris Agreement

Finnfund has committed to alignment to the Paris Agreement. Development of tools underway including:

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

Source: Finnfund Annual Report 2022. Interview Finnfund

Finnpartnership aids Finnish businesses in establishing partnerships in developing countries, fostering economic growth and job creation. While not the primary focus, climate concerns are considered. They offer services such as market exploration, matchmaking, training, and counselling. Financial support ranges from EUR 15.000 to EUR 400.000. In 2022, out of 92 applications, 78% (72 interventions) received a total of EUR 6 million in support, spanning 49 countries and 22 industries. Education led the sectors, followed by health and environment. Notably, there's no distinct 'climate' category. However, 20 of the 72 interventions contributed to SDG 13 and related environmental SDGs (12 and 6). The specific climate-related funding from Finnpartnership interventions was not possible to establish.

DevPlat provides Finnish companies and partners, including research organisations and CSOs, with advice, contacts, and funding for innovation. In collaboration with Finnpartnership and MFA, DevPlat supports co-creation with local entities and helps companies explore market prospects. They also aid in accessing procurement opportunities with multilateral organisations. While not explicitly focussed on climate, DevPlat supports clean technology and circular economy initiatives. The precise funding DevPlat offers is unclear from public sources, but it seems limited. Previously, the Business for Impact (BEAM) programme committed EUR 60 million over five years, merging resources from Business Finland and ODA from MFA. Despite an initial slow pace, BEAM showed promising results; however, its evaluation did not touch on climate issues.[28]

Public Investment Facility: The objective is to support public sector investments in developing countries while at the same time make use of Finnish expertise and technologies. PIF is a mixed credit instrument combining development cooperation funding and export credits. Interventions must contribute towards the SDGs and to Finnish development priorities and is not specifically geared towards climate investments.

28 Developmental Evaluation of Business with Impact (BEAM) 2019/4

2.4 Findings

2.4.1 Relevance and coherence

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?

The increased focus on private sector mobilisation responded to international calls for increased climate finance, and domestic calls for greater involvement of the Finnish private sector in delivering development assistance. Developed out of necessity (due to ODA cuts), the DPI at one and the same time responded to demands within the international community for scaling of private finance and the domestic political desire to see greater involvement of the Finnish private sector. The DPI helped cushion the decrease in Finnish ODA and also international climate finance – even though the Finnish contribution remained well below its 'fair share' in international climate finance calculations. E.g. the Overseas Development Institute (ODI)/UNFCCC calculated that Finland in 2020 provided 60% of its 'fair share' based on Gross National Income (GNI), population size and emissions.[29] At the same time the DPI supported the expansion of Finnfund which was increasingly oriented towards both Finnish companies and climate targeting. Co-financing interventions with the MDBs also envisaged greater engagement of the Finnish private sector in delivering the interventions.[30] Business Finland has as one of its objectives to support such an engagement.

Finnish PSIs -Finnpartnership and DevPlat – had climate in their remit – but the scale of climate finance reflected the interest of applicants. Despite political interest in enabling the Finnish private sector to engage in climate solutions, there was little evidence of PSI instruments being particularly geared towards climate. The new strategy orientation for Finnpartnership under discussion would focus on growth and jobs, while climate would remain among the priorities together with gender and inclusion and focus on Africa.

Despite attempts at the strategy level to enhance synergies between the DPI and the other private sector related activities, it proved difficult in practice. IFC and ADB Ventures acknowledged the intention of Finland to promote Finnish companies' participation in the concrete transactions. When visiting Finland, there were always meetings with Team Finland/Business Finland and also individual companies to discuss opportunities. This has yet to lead to concrete activities. In comparison, EBRD was more reluctant regarding Finnish policy wishes related to the engagement of the Finnish private sector. These difficulties related to engaging the Finnish private sector were also related to the structure of the Finnish private sector itself with many small companies and continued expansion opportunities in lower risk markets closer to Finland.

29 https://unfccc.int/sites/default/files/resource/ODI_A_fair_share_of_climate_finance.pdf

30 Appropriation notes: IFC BFCP, ADV VenturesVenture – translations.

Support for private capital mobilisation for climate action was highly relevant in light of the international financing gap – working with the MDBs offered the opportunity to also impact the wider enabling environment for private sector engagement. There is a 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.[31] The Nordic -Baltic Constituency in the 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).[32] Providing loans on concessional terms for co-financing of MDB investments in climate related activities was relevant and supported MDB efforts to fund climate interventions in 3 different ways 1) de-risking of investments, 2) development of bankable interventions, and 3) contributions to enabling environment through MDB 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.[33] Finnfund did not target private sector capital mobilisation at the intervention level as high private sector interest was seen as a case for not getting involved. Rather, Finnfund wanted to engage private funding in its own capital structure on which basis to pursue additional climate relevant interventions. Hence, by 2030 Finnfund wants that 50% of its investments are made with private capital.

Due to the DPI modality (refunding envisaged) and the importance of Finnfund in the climate portfolio, the Finnish approach to private sector capital mobilisation was overwhelmingly focussed on single transactions. Donor trust funds for co-financing of MDBs are to some extent grants based to allow for a combination of policy related work to support an enabling environment and operational stream intervention development e.g. feasibility studies. Finland only to a limited extent had this opportunity as the vast majority of funding provided for co-financing was in the form of investments with expectations of repayment. Where Finland was part of a multi-donor trust fund like HIPCA, grant financing was readily available from other donors and in the case of the single donor IFC BFCP a small grant was provided. Finnfund was solely transaction oriented. According to interlocutors in Finnfund, there was recognition of the importance of market creation and Finnfund often co-finances with MDBs/DFIs or work in the context of wider policy reforms, Finnfund itself not having the capacity to leverage reforms.

Policy influencing has been strongest with regards to gender and social safeguards – whereas there was limited evidence of policy influencing with regards to climate issues. Finland successfully promoted gender issues in the context of its DPI interventions with MDBs including through the use of input targets. Finland was not alone on this agenda, as other trust fund holders were also promoting gender equality and gender sensitivity in investments, incl. Canada in its IFC Climate Trust Fund based on the Canadian Feminist Foreign Policy, and in the context of HIPCA where other contributors also had attention to gender related issues. The increased attention to gender was also supported through the Boards of the MDBs based on Finnish/Nordic/ European representations. Evidence as to Finnish influences related to climate – e.g. solutions, investments in innovation etc. was scarce. According to MDB interlocutors, there was one example of Finland declining to invest in bus-transit systems based on cleaner fossil fuels as it wanted to

31 See: IPPC above; IFC and IAEA https://www.ifc.org/content/dam/ifc/doc/2023/scaling-up-private-finance-for-clean-energy-in-edmes-summary-en.pdf; OECD : https://www.oecd.org/dac/2023-private-finance-odfi.pdf

32 Nordic Baltic Constituency Annual Report FY 2021-2022.

33 EBRD High Impact and Climate Action 2022 Annual Report.

support interventions based on renewable energy and feared lock-in. This is in accordance with the Nordic-Baltic position on energy transition in the WBG.

There were trade-offs between policy objectives related to investing in low-income countries and policy objectives related to Finnish private sector engagement and repayments. Initially, the MFA had focus on the repayments as well as engagement of the Finnish private sector related to the use of the DPI instrument. Based on an intervention from the Minister Mykkänen cabinet in the context of the IFC BFCP, it was clarified that riskier interventions could be pursued, incl. equity investments, and that 100% of investments had to be made in least developed countries (LIC) and lower middle income countries (LMIC)s.[34] Through the use of the concessional funding from the Finland-IFC BFCP, IFC has manged to support climate interventions in poor and fragile states, such as Nepal, Democratic Republic of the Congo (DRC), and Palestine, underscoring that access to blended finance can support activities in riskier settings. According to some interviewees from the MDBs, the country focus explained the difficulties in involving the Finnish private sector and discussions about eligible countries was a recurrent theme in the annual meetings between MFA and Fund managers. ADB Ventures sought to work through investors in MICs like India to find potential investment opportunities in neighbouring LIC countries adjacent to India. According to interviewees, the request for return on capital also narrowed the range of interventions down and made it more difficult to operate in high-risk environments in poorer countries.

The value-addition of the Finnish MFA in the context of working with the MDBs and Finnfund was primarily input targets related to gender equality, and more recently increased attention to impact targets including GHG emission reductions and resilience. The fist co-investment fund established with IFC (IFC BFCP) focussed on returns, capital mobilisation and market creation and cooperation with the Finnish private sector with no impact targets set. During implementation, impact in the form of GHG emission reductions had been calculated in accordance with IFC normal procedures. Regarding more recent funds such as ADB Ventures, there was more upfront emphasis on impact both with regards to climate impact (GHG emission reductions and people with strengthened climate resilience), and capital mobilisation as part of the original proposal for the ADB Ventures Fund. Finland in negotiations for its contribution had a strong emphasis on input targets for climate, gender, and country focus to guide fund activities. Attention to leveraging and blended finance principles such as additionality and market creation impact increased over time in MFA – without this being a demand in negotiations with the funds. Setting targets for distribution of funds related to Finnish objectives is the primary mode of influencing DPI partners. 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. Similar, 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 the Finnfund.

Finnfund developed a strong climate identity with clear a vison about the need to integrate climate and development consideration for sustainable development. Finnfund had a vison that people and planet should be at the core of every decision. With a strong focus on alignment of all activities to the Paris Agreement, Finnfund assessed all investment based on climate risks and potential impacts on the Paris agreement commitment to strive to keep temperature increases below 1.5 degree. The Finnfund climate commitment also implied calculating the climate impact of its entire portfolio. Finally, Finnfund was committed to investing EUR 1 billion in climate by 2030.

34 MFA: Note on the Description of the contract negotiations with IFC 15.11. 2018. Translation.

The recent issuing of EUR 75 million in sustainability bonds was the most recent addition to its climate activities. In the Finnish context, the Finnfund vision was clearly formulated and provides with tools and methodologies as well as staff capacities to deliver. Finnfund benefitted from its cooperation with other European DFIs with whom Finnfund often co-finances.

Synergies between Finnish PSIs was not easy in general, and the fact that there was no attempt to prioritise climate in Finnpartnership and DevPlat further reduced options for synergies. Finnpartnership and DevPlat remained demand driven and there was not a strong focus on climate in their priorities. There was no strategy for pursuing climate related activities, and no staff or resources dedicated to support such an effort. The lack of overall strategic guidance for the PSIs was identified as an explaining factor for the lack of synergies in a recent evaluation.[35] This evaluation confirms this finding. There was to some extent an overlap between the activities of the DevPlat and the Finnpartnership – and the gap between working with the Finnpartnership and Finnfund was quite large both in terms of the funding and the type of activities eligible for funding.[36] There was no consolidated analysis of the comparative advantages and value added of various Finnish technologies and offers in the context of climate, and there was no evidence of analyses of the needs of the private sector in terms of funding instruments, advice etc. Hence there was no basis on which to claim that lack of dedicated instruments was responsible for limited private sector interest in expanding to developing countries. Consensus among the providers of private sector support appeared to be that the Finnish private sector was dominated by small size companies that have limited interest in going to developing markets (going to other Nordic and European markets had higher priority) and the few large companies were not particularly interested in the opportunities offered.[37] Very recently more systematic attempts at analysing what the Finnish private sector has to offer and what it will take to engage has been initiated according to interlocutors in MFA.

The increase in the availability of blended finance and the proliferation of blended finance instruments, while important for enhancing private capital mobilisation for climate activities, also led to increased competition for bankable interventions and a risk of market distortion. Despite efforts among DFIs to establish principles for the use of blended finance (Box 1) and efforts to reduce competition particularly amongst larger players (multilateral and bilateral) there was increased competition in the market for funding of the same deals.[38] Access to blended finance instruments did play a role in this competition as did the limited availability of bankable interventions. Availability of bankable interventions had for a long time been cited as one of the main obstacles to private capital mobilisation, and efforts have been made amongst DFIs to strengthen intervention development including through access to grant resources and ensuring returns on investments to allow for reinvestments in intervention development. IFC pointed to the need for better governance internally in the DFIs with regards to decisions as to when and to what extent blended finance instruments should be brought into play as well as increased transparency and

35 https://um.fi/documents/384998/0/UM_Evaluation_on_Economic_devel_Job_Creation_and_livelihoods_Vol3_Study_on_Private_Sector_Instruments.pdf/0570643c-a567-ffad-033e-c45e948eee40?t=1611587267493

36 See also 'Evaluation of Economic Development, Job Creation and Livelihoods. January 2021 https://um.fi/publications/-/asset_publisher/TVOLgBmLyZvu/content/evaluointiraportti-suomen-tuki-kumppanimaiden-talouden-vahvistamiseksi-ty-c3-b6paikkojen-luomiseksi-ja-toimeentulon-parantamiseksi/384998

37 The Ministry for Economy and Employment put forward a strategy for 'Export and international growth" in 2020 that identified Finnish advantages and discusses bottlenecks to export growth. Bottlenecks related to business: Size, risk aversion, ability to cooperate (incl. among companies/universities), lack of marketing and international experience; and on the instrument side: Instrument focus and lack of understanding of company needs.

38 Interviews and Finnfund Strategy.

public disclosure with regards to use of blended finance to limit the use of such finance to gain an edge over competitors.[39]

2.4.2 Results

EQ2: To what extent has Finland's climate portfolio delivered results over the period 2016-2022?

Results in terms of climate impact (GHG emission reductions) and development resilience were slowly materialising – but it is still early to assess the full impact of the investments made. IFC BFCP is beginning to report results, as is ADB Ventures Fund and EBRD HIPCA based on the MFA contributions to Trust Funds. Finnfund reported climate results based on their full portfolio. Table 6 provides an overview over early aggregated result over the period of operation for the Trust Funds and Finnfund for the past 5 years. For the multi-donor trust funds – the full result has been shown, as HIPCA has yet to make use of the Finnish contribution. Care should be taken in comparing these results e.g. with regards to GHG emission reductions as little information is available as to these calculations. It is not possible to measure climate results based on the Finnpartnership and DevPlat contributions to private companies, as the interventions supported markets exploration, e.g. with regards to production of solar panels, or the export of biodegradable fertilizer, or piloting and demonstrating technology, e.g. to reduce combustion from power plants. There is no information available as to the follow-up and materialisation of the interventions.

39 https://www.ifc.org/content/dam/ifc/doc/mgrt/emcompass-note-105-blended-finance-benefits-of-transparency-and-access.pdf

Table 6 Results to which the Finnish support for the investments contributed[40]

	IFC BFCP SINGLE-DONOR 2017-2022	ADB VENTURES MULTI-DONOR 20202020-2022	EBRD HIPCA MULTI-DONOR 20212021-2022	FINNFUND 2022 BASED ON FULL PORTFOLIO – CLIMATE AND NON-CLIMATE
Target GHG mission reductions based on current intervention portfolio//actual	900.185 tCO2 pr. a.// 49.888 tCO2 p.a.	43.4 million t GHG emissions avoided from interventions over the full life// 477.000 tCO2 avoided	Target 857.169 tCO2 p.a.	Actual: 134.131 tCO2 net- reductions
Resilience	Not reported	Target 34.6 million people (Small and medium Enterprise (SME) loans)	Not reported	Not reported
Private capital mobilised: Number of investments with mobilisation: Leveraging ratio at the end of 2022.	8 investments Leverage 1: 7 reported based on average numbers. A factor 2 from the private sector implied mobilisation of approx. USD 120 million.	9 investments 1: 5 USD 85.2 million mobilised in total	27 interventions EUR 45 million of HIPCA investments leveraged EUR 1 billion, of which EUR 497 million from EBRD own resources. The remainder appears to be client loans (cities or public banks) Issuance of Housing Bond Egypt EUR 975 million.	2022: 28 new interventions Not a goal to leverage the private sector. Finnfund co-invest with other DFIs and basically sees itself as an impact investor. Increasing emphasis on attracting private and institutional investors to invest in Finnfund to enlarge the own account.
Other results	Funds used to reach challenging countries e.g. solar in DRC, Palestine	114 women employed, 82 women in management role, 848 people employed Innovative interventions with high risk	Enabling environment: 118 regulatory and corporate frameworks, policies and strategies improved 193 gender measures expected to be implemented Wastewater treated/reduced 58.353.600 m3 Interventions in Middle-Income Countries (MICs) and Upper Middle-Income Countries (UMICs)	227.000 jobs supported of which 37% women 1.150.000 hectares of forest under sustainable management

Sources: Annual Reports DPI, IFC BFCP Annual report 2022, ADB Ventures Annual Report 2022, HIPCA Annual report 2022, Finnfund Annual report 2022

40 The share of the contribution from Finland varies considerable between investments – e.g. from less than 1 % in Upper Trishuli Hydro Power Nepal to nearly 20 % in Masrik Solar in Armenia. Most investments has a lifetime of 25-30 years.

The interventions had an overwhelming focus on mitigation with many of the investments in renewable energy, sustainable cities (urban infrastructure, green buildings), and greening the financial sector. There were investments intended to support adaptation, they were primarily in the financial sector and directed at SMEs to help them adjust and adapt to climate changes and new business opportunities. For example, the ADB Ventures investment in Fairbanc Indonesia bringing fintech solutions to people that are unbanked or underserved. Another example is ADB Ventures investment in Agri-biotech company E Green Global to expand its microtube technology for disease free seed potatoes to all of South Asia.

Transparency in the reporting with regards to private sector mobilisation was inadequate – partly obscuring the limited success with regards to private sector capital mobilisation. In light of the importance attached to private capital mobilisation it is striking that neither IFC nor EBRD in their Annual reports distinguish between different sources of capital mobilisation. *EBRD* reported massive capital mobilisation, and a review of the EBRD portfolio clarified that private capital mobilisation took place in 2 interventions out of 27: 1) Project Mallard, a Housing Bond Issuance with the Ministry of Housing in Egypt raising EUR 945 million for housing, HIPCA contribution of EUR 0.4485 and 2) EUR 0.75 million private capital raised for Maubrouka Seeds, Tunesia with a HIPCA grant of EUR 0.16 million. The Housing bond Issuance is a good example of the role grant funding can play in supporting capacity building for deepening capital markets. There were investments with private companies where there was a client contribution e.g. Plastikpack Morocco where the client contributed EUR 4.3 million, EBRD EUR 6.2 million and HIPCA EUR 0.4 million. In general, mobilisation was from public sources incl. with the European Investment Bank (EIB) and AFD (Agence Française de Développement).[41] According to the portfolio summary, Finland in 2022 contributed technical assistance funding for the Green SME/Star Ventures Advisory funding which is not included in the current portfolio up to end 2022. Similarly, IFC also did not report on the sources of capital mobilisation apart from mobilisation from own account. IFC informed that on average, IFC investments came with a leveraging factor 1:7, which could be broken down as follows: a factor 3 from IFC own account, factor 2 from other DFIs or public funds; and 2 from the private sector. The IFC/BFCP 2022 Annual report suggested that BFCP leveraged 1:14 with the inclusion of Upper Trisuli Hydropower whereas if Upper-Trisuli was excluded the leverage was reduced to 1: 5 reflecting the riskier markets for the investments (DRC and Palestine). Some data on the total intervention cost and financing can be found on the IFC Project disclosure-web,[42] but there is no way to distinguish between sources of capital mobilisation. ADB Ventures only mobilised capital from private sources.

The limited access to information and the transaction focus in the intervention disclosures and reporting made it difficult to assess long term sustainability and market impact. A simple theory of change has been developed to provide a framework for assessing market impact and long-term sustainability, Box 3. The limitations with regards to access to information about the concrete context and content of the investments hindered assessment of potential market creation impact, climate impact, and sustainability. Nevertheless, some conclusions with regards to sustainability with reference to the ToC can be made. Based on the information available about EBRD HIPCA interventions, there were close attention to framework conditions which in itself was positive. HIPCA interventions took place in MICs and Upper Middle-Income Countries (UMIC) which suggested institutional capacity to implement reforms which also on balance supported long term sustainability. With regards to IFC interventions, they were mainly taking place in LICs and

41 EBRD HIPCA Annual report 2022 Annexes.

42 https://disclosures.ifc.org/

LMICs, but they were based on replication of similar interventions from other countries with support from IFC and now taken to more risky environments, using known solar technology and providing electricity into already existing grids etc., on balance, this should also support sustainability. The ADB Ventures' interventions were smaller and based on new technologies, as with venture capital investments not all interventions can be expected to be successful. Here sustainability was possibly more of an issue – as was to be expected. Attention to private sector mobilisation and GHG emissions reductions without a focus on development and market impact runs the risk of undermining markets rather than creating markets – this is the main message and learning behind the blended finance principles.

Box 3 Underlying Theory of Change for the DPI

The underlying Theory of Change for the DPI can be reconstructed as follows:

If the Finnish government provides capital (grants and/or concessional loans) for private sector investments as well as access to investment fund operators and decision makers for Finnish companies then additional private sector funding (including from the Finnish private sector) will be invested in climate change mitigation and adaptation measures, and additional knowledge and technologies will be brought to developing countries that will result in net reductions in GHG emissions and strengthened resilience to climate change assuming that the IFIs developed climate relevant interventions that are suitable for blended finance; that the private (also Finnish) sector is interested in investing in developing countries with the de-risking offered; that Finnish technologies are relevant and can be transferred; that the markets in the developing countries are conducive to private sector investments incl. that the regulatory frameworks in place offer a market creating investment environment and that there is institutional capacity to implement this framework; and that the concessionality of the funding provided does not harm the financial markets nor crowd out private sources of funding.

Source: Evaluation team

There was no data or information available in the public domain to assess market impact. IFC made elaborate references to its system for Blended Finance governance and upholding blended finance principles in its reporting. There were no attempts on the part of IFC or EBRD to assess market impact in the disclosed intervention information, nor were there any attempts to assess positive market impact and scaling up investments based on changes to regulatory frameworks and creating an enabling environment for private sector operations. Similarly, there is limited information available to assess claims to fund new and innovative climate solutions and approaches based on the availability of concessional finance.

Engaging the Finnish private sector in climate related activities proved difficult – one of the main obstacles appeared to be limited interest on the part of most Finnish companies. Finnpartnership and DevPlat engaged with many companies and provided information with regards to investment opportunities and support from the programmes. Finnpartnership experienced increasing demand for interventions in 2022 – after the covid slowdown, and an increased interest in Africa. Climate interventions were mainly in the area of business partnerships (incl. imports of sustainable produce). Interviews with a few selected companies engaging in climate related activities with support from Finnpartnership underscored strong satisfaction with the cooperation but also the limitations, in terms of support incl. market knowledge, funding etc. which limited the success

of the interventions. In the context of the DPI there were many attempts to engage, in particular the Fund managers from IFC and ADB Ventures met Finnish companies, but this has yet to materialise in concrete cooperation. The span between the Finnish companies and the companies that IFC normally cooperates with was large.

Box 4 Lessons learned

- 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 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.
- DFIs promoted blended finance principles and the importance of transparency and disclosure in this context – in reality very little was disclosed and the questions regarding alignment to blended finance principles remained open.
- Investments are not always easy to bring into play – this led Finland to provide small grants 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.
- It is difficult to engage a national private sector that is not overly keen to expand to developing countries – improved emphasis on analysing barriers to participation and tailored support needed.

2.5 Conclusion and forward look

EQ3 Over a five-year period, how can Finland ensure that its climate action plan remain relevant, credible, influential and impactful?

2.5.1 Conclusion

The Finnish strategy for engagement of the private sector was highly relevant and responded to global calls for support for private capital mobilisation for climate action, and domestic calls for engaging the Finnish private sector. The support for the MDB instruments – the trust funds and the ventures fund – was designed with a view to supporting the mobilisation of the private sector through co-financing of MDB investments or investments into private companies via the ADB Ventures fund or Finnfund. In the face of significant cuts to ODA, the DPIs allowed Finland to continue to fund climate activities and other development activities through this new budget neutral development modality.

Finnish concessional finance was relevant as it supported expansion of MDB and Finnfund climate operations primarily through support for interventions with climate mitigation impact. The concessional investment modality implied that the Finnish contributions were best suited as co-financing at intervention level as there was a strong focus on the return on capital. Co-financing of IFC interventions supported IFC renewable energy intervention investments into riskier markets. With regards to EBRD HIPCA, the Finnish loan financing had yet to be brought into play, but the HIPCA multi-donor trust fund support intervention development of climate relevant interventions through availability of grant financing for intervention and policy work as well as investment finance. Finland's decision to complement loan funding with grants, supported MDB intervention preparation – helping to bridge the gap in the climate finance system with regards to lack of bankable interventions.

Engaging with MDBs to promote private sector capital mobilisation had potential for market catalysing impact but there was no reporting by the MDBs on these effects nor reporting in line with the blended finance principles. 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. Transparency in the reporting by the MDBs on private capital mobilisation and adherence to the blended finance principles was found wanting as private sector mobilisation was highlighted as an objective but then not reported on separately. Despite the MDB institutional objectives related to unleashing private funds and market development in the context of the use of blended finance instruments, it was not possible to assess market catalytic impacts based on their reporting, which reflected the transaction-oriented approach in the actual work by the MDBs. Finnfund was itself an impact investor with no policy leverage and market creation ambition and did 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 targets related to gender equality and inclusion were successful in ensuring attention to gender in all interventions which also reflected the increased prioritisation of gender equality in the MDBs and Finnfund. In particular, ADB Ventures reported extensively on gender results. With regards to climate, there were input targets related to the percentage set aside for climate (incl. 10%), but there was limited attention to outcome targets – capital mobilised or impact e.g. GHG emissions reduced, or development impact in the form of markets catalysed for adaptation). In more recent discussions with MDBs, including in the context of annual meetings, requests for impact targets in the area of climate had been raised. Also, in Finland's participation in the governance structures of the multi-donor funds, there was increased attention to development impact including climate. There was no evidence to suggest that influencing in the context of the trust fund support went over and beyond influence achieved through Board representation.

Engaging the Finnish private sector proved very difficult and despite efforts few concrete results materialised. Opportunities for engaging the Finnish private sector were stressed in the appropriation notes related to the DPI. The lack of results was not due to lack of trying – MFA, Business Finland and IFC and ADB Ventures on several occasions met with Finnish companies that had expressed an interest in cooperation to find common ground for cooperation. There appeared to be a need for a new and more strategic approach possibly 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.

2.5.2 Forward look

The engagement of the private sector and mobilisation of private capital remain highly relevant for the green transition – MDBs are key and the outcome of current negotiations in the context of the WBG may determine Finnish actions in this area for the coming 5-year period. In accordance with the international debate on mobilisation at scale the focus needs to move from the intervention – single transaction – level to the country level, and from the investors' perspective from the intervention level to the portfolio level. To achieve scale through market catalysing impact, working with the MDBs remains central. In this context, a forward-leaning ambitious Nordic-Baltic position to support the on-going reform efforts in the WBG will be key including providing the necessary core finance for these institutions to expand their activities. Such a position would also include all the Nordic-Baltic policy demands with regards to gender, mitigation/adaptation balance, poverty focus as well as climate policies, and alignment to the Paris Agreement. The outcome of these negotiations to some extent may determine the focus and scale of Finnish funding in this area in the coming 5-year period – if negotiations lead to a green capital increase or other results that in some way or another will imply additional funding for MDB engagement in climate action, based on the assumption that Finland – being a good global citizen – will provide its share of the negotiated solutions.

Working on the strengthening of the MDBs as a result of the on-going negotiations, with the MDBs to achieve scale and market transformation will remain important. In this, Finland – bilaterally and through its representation in MDB Boards - should work with other development partners to enhance effectiveness and impact through continued influencing to achieve:

- **Market catalysing impact** - including advocating portfolios of interventions to support market development – combining policy lending, intervention lending and capacity building. Reporting on market catalysing impact remains key.
- **Climate and development impact in interventions** – ex-ante analyses of impact must be complemented with monitoring to enhance likely-hood of reaching expected impacts.
- **Transparency with regards to the use of blended finance** – based on the blended finance principles demand transparency about the analyses and the decisions with regards to the use of blended finance in particular when brought into use to close deals; prioritise blended finance for policy support, up-stream analyses and intervention development.
- **Support the development and deepening of local capital markets** – in particular in MICs and UMIC, private sector mobilisation involves the local private sector and local investors -greening the financial sector may be key to mobilising capital for investments in the green transformation.
- **Portfolio based approaches to private capital mobilisation** – to enhance efficiency in private sector mobilisation based on experiences from IFC MCPP.
- **Supplement concessional loans with grants** – to promote MDBs policy work on framework conditions, development of bankable interventions; focus concessional loans on interventions in LICs, where availability of capital is scarce.

If the DPI is continued in its current form, focus on a few MDB partners going forward. To reduce the administrative burden and to build up a large and meaningful cooperation with these large partners, choose a maximum of 2 partners for the coming 5 years. Considering the concessionally in the modality, the focus should be on poorer countries where there is limited funding available and/or it will take time to develop the local capital markets and where the market creating potential is large. Investing in these markets takes time and come with a risk to the investment but the development impact is potentially higher, and it aligns with Finland's focus on poverty reduction. Based on the current partners, this would imply continued co-operation with IFC. In light of the Finnish government interest in engaging the Finnish private sector, this will entail:

- Clarify policy objectives with regards to the DPI – climate focus and market catalysation could be relevant choices for consideration as well as adherence and follow-up on blended finance principles (see above),
- Choose 2 MDB partners for cooperation for the coming 5 years to enhance efficiency, reduce MFA resource inputs and ensure scale,
- Systematically assess the Finnish offer to the MDBs in terms of knowledge, technologies in the area of climate and possible co-financing opportunities with Finnfund to bring on board Finnish companies in larger interventions led by the MDBs (more below),

- Consider complementing investment finance with grant finance to promote market creating approaches compared to single transactions,
- Strengthen cooperation between the MFA Bank team and the DPI team – to use Finnish Board representation to promote policy influencing with regards to Finnish policy priorities and strengthened attention to market catalysation and effective and impactful use of blended finance.

In the Finnish private sector landscape, Finnfund was a light house when it came to climate – plans to enhance private sector mobilisation should be supported. Finnfund had a clear vision as to the importance of climate and environment for sustainable development and tools/procedures gradually coming into place to ensure alignment to the Pairs agreement. Its approach to private sector mobilisation was forward looking as it went beyond the project-by-project approach and sought to engage the Finnish private investors at the portfolio level. While this approach should not hinder cooperation with Finnish companies on a single transaction basis when opportunities arise, the main effort should be at the portfolio level to ensure scale in its private sector engagement. This also implies that rather than setting input targets related to the number of Finnish companies to engage with, targets should be set for a faster mobilisation of Finnish private investors at the portfolio level. This will likely involve separate governance structures and may reduce the overall influence of MFA on the Finnfund. On the up-side MFA can reduce/cease capital transfers to Finnfund in the coming years. Actions include:

- Support Finnfund in its work to set up a private sector (institutional investor) funded arm to enhance mobilisation of private capital.

Efforts to engage the private sector needs more strategy and attention to Finnish comparative advantages. The purely demand driven approach has shown its limitation in the current private sector environment in Finland. It could be considered to complement the demand driven approach with a more focussed strategic approach in selected areas where Finland – possibly combining public sector and private sector actors – has a comparative advantage and can provide value added. It could imply engaging clusters of companies, institutions, and research bodies in particular area – to ensure visibility and knowledge drawing on the lessons from the cluster approach to promotion of early worning and metrological services. If the Finnpartnership and the DevPlat should play a greater role in climate action and engaging Finnish companies to that effect, there is a need to learn from past experiences and provide the necessary strategic direction and competences to make this happen. Concrete measures include:

- Review past experience with support for climate related activities incl. outcomes in terms of markets, climate mitigation and adaptation, and poverty/gender,
- In cooperation with Business Finland select a few areas of company/university technology/knowledge comparative advantages to test out a more strategic approach to promote awareness of Finnish comparative advantages and promote these vis-à-vis MDBs/DFIs and other international partners,
- Strengthen climate knowledge in MFA and in the administration of the PSIs, incl. Finnpartnership and Devplat.

2.6 Annexes

2.6.1 Annex 1 – Challenges of private capital mobilisation

Several recent studies provide good overview of the main challenges to mobilisation of private finance for climate action. Some of the main challenges on the global/supply side (origin of investments) as well as the demand side are summarised in the Table 7.

Table 7 Challenges to scaling up private finance for climate action

GLOBAL LEVEL	COUNTRY LEVEL
Global macro environment (financial conditions, real sector)	Investment climate/business environment (macro stability, institutions, infra, etc.)
Regulation (prudential, taxonomies, etc.)	Upstream market creation (sector regulation, institutional development)
Market scaffolding (asset classes, liquidity, intermediaries)	Midstream project creation (structuring capacity, risk capital, ESG)
Public support (de-risking of finance, technical assistance)	Downstream financial linkages (origination & mobilisation capacity)

Source: Lankes and Robin 2023

The independent High-Level Expert Group on Climate Finance also recently published a report where they address challenges to scaling up investment in climate finance, where there is also attention to the supply side as well as the demand side.[43]

Major challenges identified included:

- Weakness of investment climate - policy uncertainty, lack of clarity over market terms which translates into offtake risk and creditworthiness risk of key players (e.g. utilities). Uncertainty around sustainability policy, energy subsidies and carbon pricing can exacerbate such risks.
- Exchange rate risk - infrastructure interventions by their nature often have currency mismatch between cost (in hard currency) and revenues (in local currency); this risk is often significant because of high sovereign risk premia in Emerging Markets and Developing Countries (EMDCs).

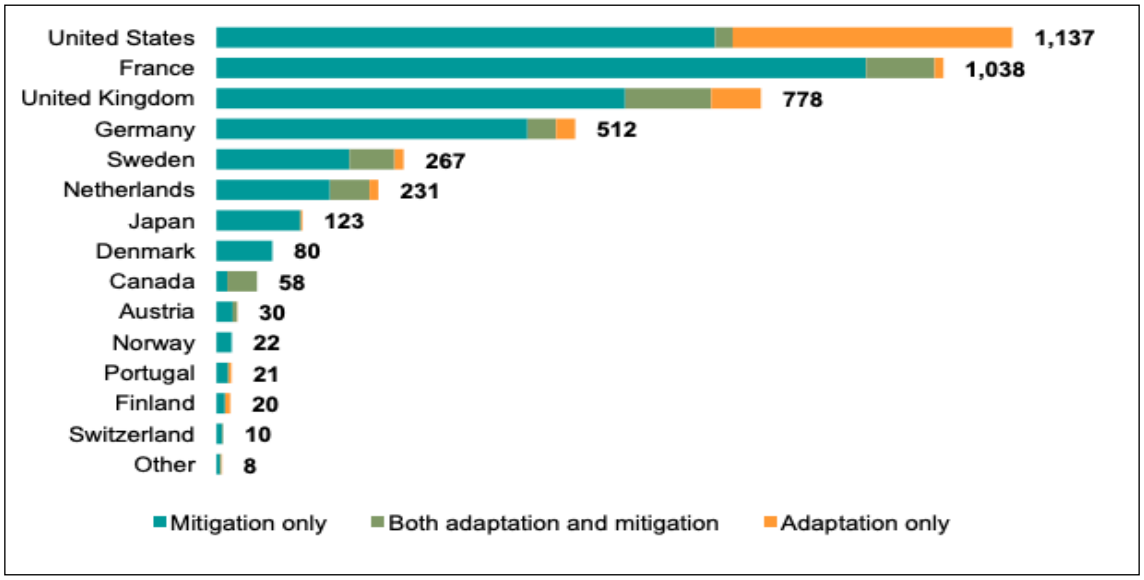
43 https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2022/11/IHLEG-Finance-for-Climate-Action-1.pdf November 2022

- Asymmetric information on EMDCs - lack of familiarity of global private sector financiers and investors with EMDCs' markets leads to an inability to estimate risk, or at best an over-estimation of risk. This translates into high perceived risk across the project cycle.
- Pipeline - lack of a significant high-quality pipeline of investable interventions in a country makes it difficult for a global private sector player to make a comprehensive commitment in a market. It also limits appetite due to size.
- Scale - the weakness of the pipeline often implies that the scale of investable interventions is not sufficient for a private sector player to take an initial commitment as this comes with significant upfront costs, which may not be recouped if the pipeline does not materialise.
- Lack of data - investors need data to assess risk. If it cannot be measured, it cannot be managed. Lack of standardised taxonomies and accessible data often prevents investors from being able to progress.
- Lack of risk mitigation instruments - when facing unmanageable risks, investors need to be able to access fit-for-purpose and simple risk mitigation instruments. Fragmentation and lack of suitable instruments will prevent investors from investing. This generates risks for the global financial system and for recipient countries. Initiatives involving use of public funds must avoid creating moral hazard from inappropriate application of credit enhancements and de-risking, as well as balance of payment vulnerabilities and capital outflow risks through EMDCs' greater exposure to international finance (Prasad et al. 2022).
- Mobilisation - MDB incentive structures create a risk of 'crowding out' private capital instead of driving co-investment and mobilisation of additional private capital. This can lead to hoarding assets as opposed to using MDB capital to de-risk interventions and unlock private investment.

2.6.2 Annex 2 – Mobilisation of private capital for climate action

About one third of private capital mobilised in 2018-2020 contributed to climate action. The largest bilateral providers were US, France, UK, and Germany, and amongst the IFIs, the WBG. Figure 7 shows the private capital mobilised by provider for adaptation and mitigation. The largest provider – the US – is the only country with a relatively large share of private mobilisation for adaptation. Some of these funds are for financial intermediaries for small scale loans and insurance to support farmers adapt to extreme weather conditions.

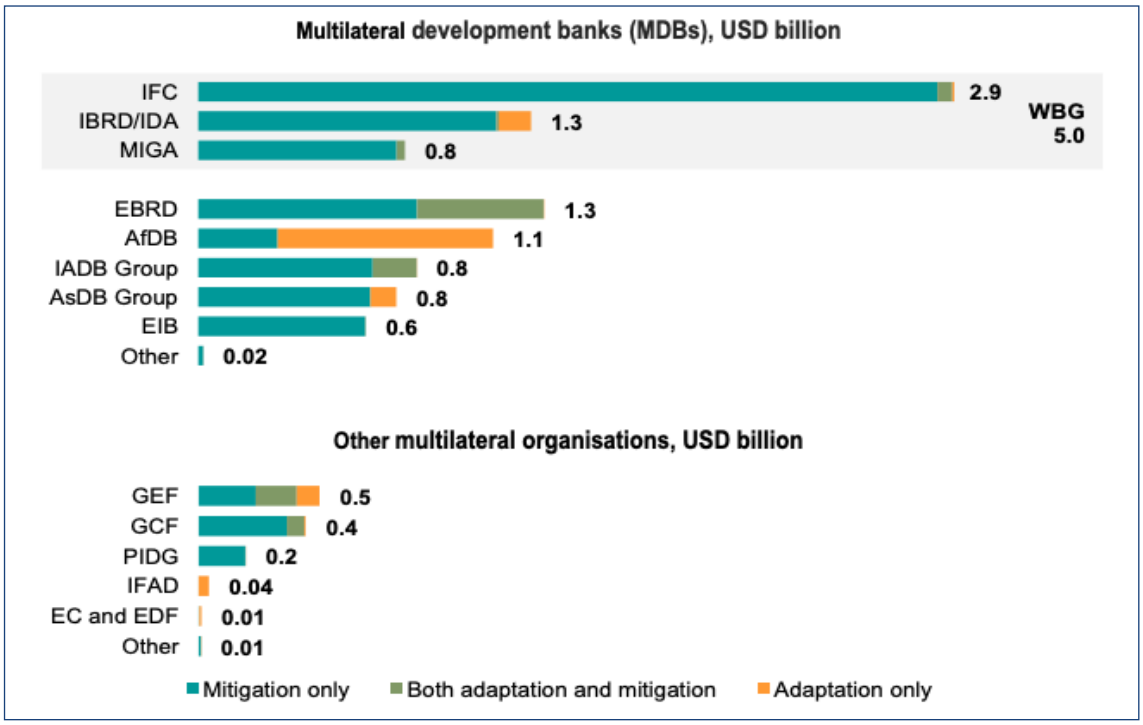
Figure 7 Mobilised climate finance for adaptation and mitigation bilateral providers 2018-2020 average USD million



Source: OECD 2023

The WBG was by far the largest provider of mobilised private climate finance followed by EBRD, and AfDB. Apart from the AfDB most capital is mobilised for mitigation actions (Figure 8).

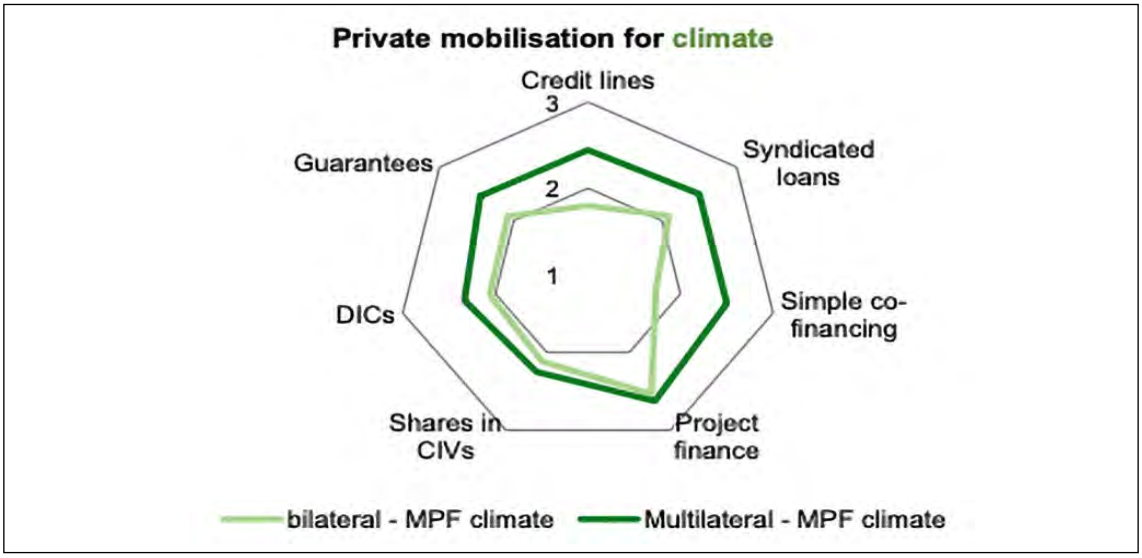
Figure 8 Mobilised private capital for climate – multilateral providers 2018-2020 average



Source : OECD 2023

Leveraging instruments for climate finance was diverse and development of new instruments continued. A survey implemented by OECD showed that a wide range of instruments were used for mobilisation[44] (see Figure 9). For both Multilaterals and bilaterals, intervention finance seems to be the preferred instrument.

Figure 9 Providers use of leveraging instruments

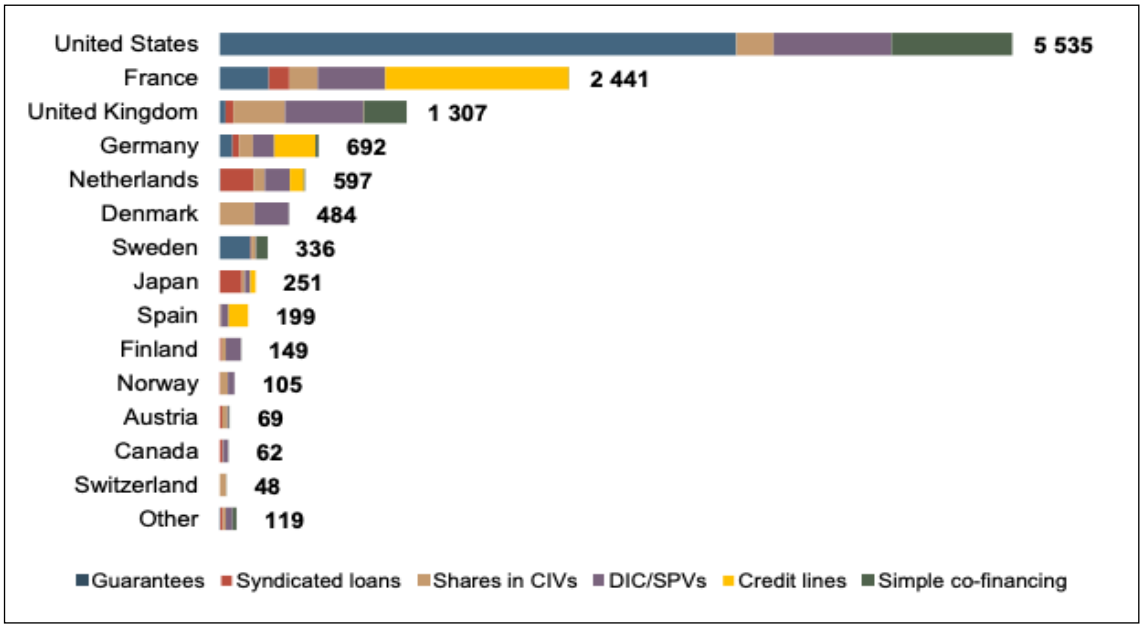


Source: OECD 2023

44 https://www.oecd.org/dac/2023-private-finance-odfi.pdf

There is no break down by types of instruments used for mobilizing climate finance pr provider country, but based on the data for the overall mobilisation it can be concluded that different types of instruments are used, and different countries have different preferences. In most countries the bilateral DFI plays a significant role. Apart from that, data shows that US (United States Agency for International Development (USAID) and DFC) and Swedish Sida use mainly guarantees; France, Germany KfW, and Spain use credit lines; whereas British International Investment (UK), the Entrepreneurial Development Bank (FMO, NL), the Investment Fund for Developing Countries (IFU, DK), and Finnfund make use of collective investments vehicles and special purpose vehicles (Figure 10). Based on the survey OECD also noted that providers over the past year had developed new instruments, incl. new guarantees programmes (ADB and MIGA) and new blend facilities often with IFIs (Canadas Climate Fund for the private Sector Asia, with ADB and Canadas Blended Climate Finance Program with IFC).

Figure 10 Mobilised private capital by bilateral provider – and types of instruments



Source: OECD 2023

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3 CASE STUDY 3: FINNISH INTERESTS

Table of contents

3.1 Introduction

3.1.1 Background

This case study constitutes one of 4 prepared for the Ministry of Foreign Affairs (MFA) Evaluation of Finland's International Climate Finance. The other case studies are (1) Adaptation and Cross-Cutting Objectives, (2) Private Sector; and (3) Tanzania Country Case Study.

The purpose of each Case Study is to apply the overarching EQs, design and methodology of the strategic level evaluation while adapting their analysis for the specifics of the thematic context. The case studies provide findings against EQ1 and EQ2, and address implications for the future (EQ3).

The specific objectives of each case study are:

- To provide a contributory evidence stream to the overall strategic evaluation;
- To help interrogate the wider theoretical framework for the evaluation by generating evidence to inform it, and
- To generate lessons/implications to help inform MFA stakeholders in their work relating to climate finance as part of the constructive approach adopted by the utilisation-focussed model of the overall evaluation.

No Case Study is explicitly a full evaluation of Finland's Climate Finance in its context, which would be beyond its remit. Accordingly, it does not provide recommendations but rather proposes some lessons/implications to support internal dialogue and learning.

3.1.2 Purpose

Finland's climate finance is delivered though different instruments and channels, which involve also different Finnish actors. The aim of the case study was to answer to the EQ1 (relevance and coherence) by providing an overview of the share of the Finnish actors in the climate finance portfolio, discuss on what ways have Finnish actors have shaped the direction of climate finance portfolio, what have been their strengths, and to what extent there has been coordination between Finnish actors as well as with international actors. To respond to the EQ2, the case study looked at key climate results facilitated by Finnish actors participating in the climate finance portfolio as well as what have been the benefits for Finnish actors engaging with the portfolio. Furthermore, it explored the challenges and lessons learnt related to the climate change interventions. To answer to the EQ3, the case study collected views and suggestions from Finnish actors on how Finland's climate finance could be further developed.

The Finnish actors and instruments included in this case study are:

- the Finnish government's bilateral/regional interventions,
- Finnish-based CSOs (programme-based and project funding),
- Finnish state institutions (funded by the ICI, and development research funding),
- Finnish Universities and Universities of Applied Sciences (funded by the HEI ICI), MFA's and Academy of Finland's programme for development research (DEVELOP) -programme, and development research funding),
- Finnfund, Finnpartnership, and Business Finland as well as Finnish companies receiving support for climate interventions through different instruments (Finnfund, Finnpartnership, PIF, Business Finland/DevPlat).

3.1.3 Methodological approach

For the overview of the climate change portfolio and Finnish actors' role in it, the case study utilised the climate interventions data set received from the MFA for the years 2016-2021. The interventions included in the climate portfolio had been categorised by using Rio markers and classified as climate change mitigation and adaptation.

The evaluation used a subset of climate finance interventions for a more detailed assessment to explore the EQs. This sub-sample included 49 interventions. For this case study 27 of those interventions were included covering different types of instruments/channels, which were considered as 'Finnish actors' interventions' (bi/regional, CSO/INGO, DPI, institutional cooperation, research cooperation, PSI grant (see Annex 1)). In addition, three interventions which were included in the adaptation case study were relevant also for this institutional case study (these three were not included in the 49 interventions sub-sample). Furthermore, there were eight interventions which were found relevant and complementing this case study during the interviews/review process including e.g. a couple of ICI-interventions and the interventions having climate focus and included in the HEI ICI programme and DEVELOP-programme. Therefore, the total number of interventions included in the case study was 38.

In addition to the desk review of the available documents, also semi-structured key informant interviews were carried out. The institutional case study utilised the results of the 39 interviews in which 52 persons participated. The interviewees were representatives of MFA (senior advisers, the team leader, CSO unit representatives), bilateral intervention staff (COWASH, RWVRMP, FORVAC), Finnish state research institutions (Finnish Environment Institute, Finnish Meteorological Institution, Geological Survey of Finland, Natural Resources Institute Finland), CSOs (FELM, FFD, Fingo, Finnish Red Cross, WWF Finland), University of Helsinki, HAMK University of Applied Sciences, Academy of Finland (DEVELOP-programme), Finnish National Agency for Education (HEI ICI), Finnfund, Finnpartnership, Business Finland, private companies (Vaisala, BioSorbio) and consultancy companies (facilitation consultants of ICI interventions).

3.2 Context

3.2.1 Finnish actors in the delivery of the climate action

The MFA involved a number of Finnish actors in the delivery of the climate action and used a wide range of existing development cooperation instruments. A number of Finnish actors contribute to delivering Finland's climate change finance. The Action Plan for climate finance (MFA 2022a) notes that because global climate work requires a wide range of actors and solutions from grassroots to intergovernmental collaboration, Finland's climate finance provides funding for different types of actors and for different approaches. According to the Plan, Finland's climate actions are promoted by providing funding for the public sector, companies, inter-institutional cooperation, and non-governmental organisations. For each of these actors the MFA has development cooperation instruments/channels that the actors can apply for funding under also for the climate actions. The Action plan also mentions that in Finland's climate finance continuity is emphasised; all current funding channels are planned to be in use in the coming years. (MFA 2022a.)

The latest changes in development cooperation funding channels impacted also channels used for climate finance. Although the Action Plan (MFA 2022a) highlights the use of multiple funding channels also in the coming years, in the latest Development Policy Results Report (MFA 2022b) it is pointed out that Finland's cooperation through international organisations, financial institutions and the EU has increased, while interventions managed by Finland MFA and implemented by Finnish actors have decreased. For example, in 2019-2021, funding for intergovernmental cooperation accounted for only some 4% of the total development cooperation funding (DPC 2023). The reduction in ODA in 2016 has led to a decrease in particular bilateral funding incl. for areas relevant to the climate agenda where Finland used to have strong expertise i.e. water, forest and agriculture and food security (MFA 2022b). In addition, although the appropriations increased steadily in 2019-2021 and in 2021 reached the level where they were at prior to budget cuts implemented in 2016, this was not reflected in the bilateral cooperation. At the same time, the significance of policy influence in the direction of multilateral organisations, financial institutions and the EU has increased. (MFA 2022b.)

The new Programme of Prime Minister Orpo's Government (2023) emphasises the role of Finnish actors, especially CSOs and Finnish companies in development cooperation. The Programme in its chapter of development policy mentions briefly that climate measures is one of the priorities. Climate measures are not discussed further, but the Programme draws up some policy lines related to the actors and instruments in Finland's development policy and cooperation. It is brought up that there will be less priority countries in development cooperation and '*a shift from bilateral Country Programmes to development cooperation engaged in by Finnish CSOs'*. The Programme also notes that opportunities for Finnish organisations to '*acquire international funding (e.g. from the EU, the UN or foundations) and to participate in multi-actor projects will be improved'*. In addition, the Programme brings up that '*the Government will promote the operating conditions of Finnish companies in developing countries as well as their opportunities to apply funding from the UN, EU, and development finance institutions'*. The aim is to '*increasingly utilise Finnish companies in development cooperation and development policy investments'* (DPIs) as well as '*prioritise DPIs that promote the allocation of capital to business activities'.*

3.2.2 Findings from previous reviews

The instrument driven approach was pointed out not to support synergies and cooperation between actors. The Finnish Development Policy Committee (DPC) concluded in its climate finance paper (2022) that Finland's strong actor-based approach does not promote cooperation and synergies between actors, but rather leaves actors working in silos. In the current situation, the instruments used for channelling climate finance govern and determine the use of the funds, instead of overall objectives determining the choice of the most suitable instrument. A strong actor-based approach to channelling climate finance does little to enable cooperation between actors, e.g. around a specific theme or goal, especially considering that each of the instruments have their own funding cycle, and there are also differences in reporting of their results. It is recommended to have more goal-oriented instruments and raised the need to have instruments which enable the cooperation between different actors and sectors, regional interventions, and intervention that combine mitigation and adaptation.

The need to have, e.g. thematic calls for climate actions covering several instruments recognised in the MFA's Action plan for climate finance. In the MFA's Action Plan for climate finance (2022a), it is noted that one way to activate companies and other actors to apply for funding for solutions related to climate change mitigation and adaptation is to organise targeted theme-specific calls. The Action Plan includes an aim to organise calls for climate actions covering several instruments to be able to use different funding instruments to pursue the same goal and to reach a wider group of actors. This 'consortium-type' cooperation between Finnish actors could offer more comprehensive solutions to climate change mitigation and adaptation challenges in developing countries than individual innovations and solutions. According to the Plan, models opportunities for organising thematic calls and funding will be studied for reference countries. Overview of the climate finance portfolio and share of Finnish actors in it

Clearly a minor part of the climate finance was channelled through instruments involving Finnish actors. As shown in the Table 8, the Finnish actors' shares of the total climate finance are quite low. The main volume of Finland's climate finance is channelled through multilateral organisations (see main report, e.g. Figure 5), such as GCF, ADF, International Development Association, and EBRD. The largest funding targeted at international climate action is channelled through Finland – IFC Blended Finance Programme, which can open opportunities also for Finnish companies. However, the participation of Finnish companies is not a precondition for intervention funding meaning that it is not a tied form of support.

Table 8 Finland's climate finance by different channels/instruments involving Finnish actors in 2016-2021

CHANNEL/INSTRUMENT	MITIGATION EUR MILLION	ADAPTATION EUR MILLION	CLIMATE FINANCE TOTAL EUR MILLION	% OF TOTAL CLIMATE FINANCE
Finnfund	69.42	26.88	96.29	14.5
Concessional credit/PIF	4.71	11.96	16.67	2.5
Finnpartnership (PSI-grant)	1.35	0.33	1.68	0.3
Bi/regional cooperation	26.62	13.77	40.38	6.1
CSO/INGO support	6.51	12.04	18.55	2.8
Institutional cooperation	1.65	4.82	6.47	1.0
Research cooperation	0.18	0.55	0.73	0.1

Source: MFA/Evaluation Team

Finnfund has a significant role in Finland's climate action compared to other Finnish actors. Finnfund's share of the total climate finance was clearly the highest among the Finnish actors. Finnfund's share of the climate portfolio shown in Table 8 includes its ODA funding, i.e. it includes Finnfund's investments, but not its loans. In addition of being a Finnish development financier and impact investor, Finnfund is expected to involve Finnish companies in the activities in developing countries as brought up in the Government's Ownership Steering Memorandums (e.g. MFA 2019, 2021).

The share of the other PSIs (the concessional credit/ PIF and Finnpartnership) in climate finance was clearly lower compared to Finnfund. During 2016-2021 there were a few concessional credit interventions, which is an old instrument and replaced now by PIF. These interventions need to use Finnish expertise and technology. The PIF interventions may have climate objectives, but it is not specifically a climate instrument. Since the PIF is a relatively new instrument, only one climate-related PIF-intervention was implemented during the evaluation period focussing on adaptation. Finnpartnership in turn provides a grant-based funding to Finnish companies and other operators, especially to start their business in developing countries. Finnpartnership's primary focus is on creating jobs, and after that come other development impacts such as gender, inclusion, and climate. The funding channelled through Finnpartnership focussed clearly on climate change mitigation.

The share of climate funding implemented through other Finnish actors than private sector was around 10%. This share included the bilateral/regional cooperation, CSO support, ICI-interventions, and research cooperation.

The bilateral and regional cooperation supported climate action especially in forestry, water and agricultural sectors. The bilateral and regional cooperation included different instruments, e.g. sectoral support, multi-bi cooperation and intergovernmental bilateral interventions. The latter ones included more use of Finnish expertise than the others involving, e.g. state research institutions (e.g. Finnish Environment Institute, FMI, Natural Resources Institute Finland), universities

(e.g. University of Helsinki) and consultancy companies. 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 which have contributed to the climate finance portfolio in 2016-2021.

More than 40 Finnish CSOs were engaged in climate action and covered wide range of topics and sectors but focussed especially on adaptation. There were both programme and project based CSOs, including CSOs such as FELM, Finnish Red Cross, FFD and WWF Finland. Overall, the funding channelled through CSOs formed a small part of the whole climate portfolio, and a major part of CSOs' climate work focussed on climate change adaptation. There were interventions e.g. related to agricultural, disaster risk preparedness and reduction, energy, forest, health, rural development and water sectors.

Finnish actors in the ICI-interventions supported especially climate change adaptation in agricultural development, environmental policy and management, forestry, meteorology, soil and mineral resources, and water sector. Although there were many climate related ICI interventions, the funding channelled through them formed a small share of the total climate finance. The ICI supports cooperation between a Finnish government agency and a partner country's organisation. The FMI, Geological Survey of Finland, Natural Resources Institute Finland, and Finnish Environmental Institute all had several ICI-interventions contributing to the climate portfolio in 2016-2021.

The share of the climate finance channelled through research cooperation included, e.g. the dissemination phase of FoodAfrica programme (Improving Food Security in West and East Africa through Capacity Building in Research and Information Dissemination) and the share of the interventions under the HEI ICI programme 2020-2024. The HEI ICI programme supports collaborative interventions between higher education institutions aiming at improving research and teaching capacity as well as good quality services in HEIs participating in the programme. The on-going HEI ICI programme includes ten interventions of which two have focus also on climate change issues (Finnish National Agency for Education 2023). The earlier period of the HEI ICI programme 2017-2020 also included interventions contributing to climate action (Finnish National Agency for Education 2022), but their share of climate finance was not included in the climate portfolio data the evaluation team received. Similarly, the DEVELOP research programme 2018-2022 financed jointly by MFA and Academy of Finland included some research interventions related to climate change (Academy of Finland n.d.) but was not included in the climate finance portfolio.

3.3 Relevance and Coherence

3.3.1 Finnish actors' interests, strengths, coordination and complementarity

The increased attention to climate action was driven primarily by the international evidence and debates on climate risks and the need to act that was reflected in Finnish development policies and the organisations' own policy goals. In the interviews, many of the respondents brought up that their climate work is guided by international agreements or frameworks (e.g. Paris Agreement, SDGs, Sendai Framework for Disaster Risk Reduction), Finland's development policy objectives and their own organisation's strategy. For example, climate change mitigation and adaptation has been Finnish Environment Institute's strategic focus area already in several strategy periods. Viikki Tropical Resources Institute of Helsinki University started to create its strategy for international interventions including climate change issues in the early 2010s. HAMK University of Applied Sciences has its Africa Action Plan 2020-2030 aiming, e.g. to build knowledge and competence on climate change mitigation and adaptation of agri-food systems together with African universities and partners (HAMK n.d.). Climate change mitigation and adaptation are also a key part of Finnfund's updated strategy 2022-2025, and maintaining a carbon net negative portfolio is one the three key strategic objectives (Finnfund 2022). Some of the organisations are members of the international organisations and these international strategies also provide guidance for their climate work. For example, International Federation of Red Cross's and Red Crescent Societies' (IFRC) 10-years strategy strongly includes climate change issues and this also guides the work of Finnish Red Cross (IFRC 2018).

The climate risks and vulnerabilities of partner countries was another important driver for climate action. Many interviewees pointed to the risks and vulnerability of partner countries for impacts of the climate change and an urgent need to mitigate and respond them. The partner countries and organisations (e.g. national meteorological institutes, farmers organisations, local churches, universities) had actively brought up their needs and priorities related to climate change. In addition, the knowledge gaps on linkages of climate change with forest management, value-chains, circular economy, or land use history were mentioned especially in the context of research cooperation and capacity building of partner universities and other education institutes.

Climate action is increasingly coming to the forefront in the activities of many Finnish actors' cooperation with partners in developing countries. When looking at the interventions included in in the sample of this case study, many of them are based on long-term cooperation. Bilateral interventions have often had several phases and/or have built on the experiences and lessons learnt of the earlier bilateral interventions. For example, the COWASH project in Ethiopia has developed and piloted in its earlier phases tools for managing risks caused by climate change (risk of drying or decreasing of yield of water sources during dry season causing water shortage and risk of water sources to be contaminated by flood loaded contaminants in flood prone areas). Now during the phase IV of the project, these tools are used when establishing new water supply and sanitation sites.

Similarly, CSOs have their long-term partnerships and the cooperation with partner organisations usually continues over project and programme periods. For example, FELM based on its consultation process with partners developed its current development cooperation programme (2022-2025) where one of the three outcome areas is resilience to climate change and disasters strengthened in vulnerable communities. The outcome area is also linked with other two outcome areas. WWF Finland noticed a need to support more climate adaptation and resilience in its programme implementation, which was done by supporting its partners in assessing climate relevance of programme activities and mainstreaming climate resilience across the programme and to support concrete adaptation work in the East Africa Regional Forest Programme especially in Uganda and Madagascar. Climate change adaptation is also now as a one results area of WWF's current development cooperation programme.

Researchers and teachers at the higher education institutions also utilise their earlier cooperation and networks for their projects and programmes. For example, it was mentioned that the providing some courses on forests and forestry for university students in South-East Asia and recognising the gaps related to their knowledge and competences led to strengthening of the university curriculum also including climate change issues (two HEI ICI interventions).

Finnish actors' influence on Finland's climate finance portfolio

Finnish CSOs actively advocated for having a strategy for international climate finance. The umbrella organisation of Finnish civil society organisations, Fingo, have a climate group formed by several CSOs. The group has focussed on climate finance issues, recently also to climate justice, loss and damage and adaptation funding. The group actively advocated some years for MFA having a strategy or action plan for international climate finance. MFA published its Action Plan in 2022, but it is difficult to assess the importance of CSOs advocacy role in this development, since there were also other factors affecting in it. The group has also lobbied for including international climate finance in the national climate policy reporting to the parliament, which has been agreed. The group is represented in larger CSO networks, such as Climate Action Network Europe and participate in the climate negotiation meetings.

Finnish government research institutions had some dialogue among themselves and with MFA how to increase cooperation in climate change issues in developing countries. The discussions have taken place in the TULANET meetings (cooperation body of 11 Finnish government research institutes), and also in a workshop organised by the Geological Survey of Finland.

The number of Finnish companies involved in climate interventions was relatively low, and there was no evidence that they had tried to influence climate financing. Despite the finance and opportunities provided to engage the Finnish private sector, e.g. through support for Finnfund, Finnpartnership, or with the trust funds established with the MDBs instrument, there seemed to be only a handful of Finnish companies that had been engaged in climate interventions. Business Finland also provides development funding to Finnish companies through its and the MFA's joint Developing Markets Platform (DevPlat), but the information on companies' climate interventions funded through this platform or its predecessor (Business with Impact, BEAM, programme) was not available. The relatively low engagement of Finnish companies was explained by interviewees as being due to their relatively small size and seeing market opportunities in markets nearer to Finland and hence, not that interested in engaging in new and perceived complicated and risky adventures. (See also Private sector Case Study).

3.3.2 Strengths of Finnish-based actors

Among Finnish actors there was a shared understanding of Finnish strengths in many and diverse fields - they related to high quality, expertise and knowledge and long-term genuine partnerships. When asking about strengths relevant to climate finance interventions, several interviewees brought up either as their own strength or as other Finnish actors' strengths the expertise they have and its quality, e.g. on sustainable development, natural resources management, meteorological services, bioeconomy, value chain approach, forestry, agriculture, climate change policy work, and in assessing climate-related impacts of their development investments. Long-term partnerships which have built trust and good networks were often also mentioned as strengths. In addition to the technical expertise, other strengths related to good working approach, methods and practices were mentioned, such as willingness to listen partners and learn together, sharing information and using, e.g. open-source code (e.g. in meteorological forecaster workstation software), brining different stakeholders together, not copying own organisations'/Finland's solutions, but trying to create solution best for the situation and knowing also limits of own expertise. For CSOs' specific strengths was mentioned their ability to reach grassroot level and vulnerable people and groups, as well as operationalising the HRBA.

In general, there was quite good coordination and complementarity between Finnish actors and international actors in the same areas. According to the documents available and interviews with Finnish actors, efforts were made to ensure complementarity with international actors. The planning documents often reflected well these considerations with international actors' interventions and planned cooperation, but the results of these actions were often not reported, or in some cases the cooperation did not take place. For example, the FMI has an active coordination with the WMO, many UN organisations (e.g. United Nations Development Programme (UNDP), UNEP) and development banks and funds (e.g. WB, ADB, AfDB, IFAD). Many of them also provided intervention funding for FMI. In Nepal and Vietnam FMI's ICI-intervention were closely cooperating with the WB's meteorological interventions.

Coordination between Finnish actors varied but there were good examples of coordination between the actors which were both planned and reported or highlighted in the interviews. For example, the Finnish Red Cross and the FMI had a pilot programme in East Africa for co-developing weather, climate, and early warning products. They also collaborated in Nepal, where the link between national level weather and early warning services and community level early warning actions were further strengthened. The FMI had also close cooperation with some Finnish companies such as Vaisala. The Geological Survey of Finland, Finnish Environment Institute and FMI all having their ICI-interventions in Central Asia organised together with their partners high level meetings in Kyrgyzstan and Tajikistan bringing up the results of their interventions on water quality, groundwater and minerals and meteorological services to climate change.

3.4 EQ2. Findings on key climate results facilitated by Finnish actors

3.4.1 Key climate results

Considering all the 38 interventions included in the case study, **over a third (14) of the interventions contributed to climate change mitigation and adaptation in the forestry sector.** The focus of these interventions was, e.g. on sustainable forest management, tree nurseries and planting, forest conservation, community based natural resources management, ecological corridors and knowledge sharing and capacity building in forest research. The mitigation results were related to reduction of emissions and carbon sequestration. Adaptation results were less clearly reported but related usually to people's improved resilience and livelihoods (sustainable forest management, land use planning) and conservation of the forests and biodiversity. The funding for these interventions were channelled through Finnfund, bilateral/regional support, CSO/INGO support, institutional cooperation instrument and HEI ICI programme.

About one fourth (10) of the interventions took place in the meteorological services and disaster risk reduction area. Almost all the interventions related to adaptation, only one intervention was considered as a mitigation intervention producing climate models on air quality. Most of the interventions' results were related to improved weather forecasting through improved national meteorological institutes' capacities for forecasting and weather services, and early warning systems based on improved weather information, including community-based early warning systems and contingency plans. Half of the interventions were ICI-interventions, and two concessional credit/PIF interventions. In addition, the funding was also channelled through CSOs' programmes and a bilateral/regional interventions.

Similarly, **about one fourth (10) of the interventions contributed to the climate portfolio, especially on climate change adaptation, through agriculture and food security interventions and investments**. Major part of them focussed on smallholder farmers and the results related to the improved capacities of the farmers for practising climate smart agriculture, diversifying livelihoods, improved food security, producing climate-smart agricultural methods and tools, and producing information on land use changes and climate-smart agriculture. The funding was channelled through different instruments, i.e. through CSO's programmes and projects, bilateral/regional interventions, research cooperation interventions, Finnpartnership and Finnfund.

There were 6 interventions, which contributed to mitigation portfolio by focussing on clean energy and/or energy efficiency and resulting to avoided GHG emissions. These interventions were funded either by Finnfund or Finnpartnership.

Four of the interventions focussed on water sector contributing to climate change adaptation. The results included, e.g. increased awareness on climate-related risks, conducted hazard mapping and development of disaster management plans, developed tools to assess climate change and

disaster risks and prepared risk management plans including monitoring, and models related to disasters and peoples' vulnerability. Three of the interventions were bilateral/regional ones and one was a research intervention.

It is noted that the division between forest-related and agriculture-related interventions is to some extent artificial, since usually smallholder farmers' livelihoods relate both to forests and agriculture. Therefore, some of the interventions (especially CSOs and some of the bilateral ones) contributed to both sectors, and in some cases included even more sectors.

3.4.2 Benefits for Finnish actors of participating in Finland's climate finance portfolio

When asking about the benefits of having climate finance interventions funded by MFA, some of the interviewees told that it had supported them to get climate funding from other sources (e.g. EU-funding, development bank funding), e.g. by providing a needed reference. Boosting global presence or visibility of the organisation, enhancing the organisation's internationalisation, further development of the organisation's portfolio, strengthening the organisation's profile or expertise brand in climate issues were also mentioned as benefits of participating in climate finance portfolio. A few brought up own organisation's/staff members' increased capacities, competencies, and experiences as benefits. In addition, creating good cooperation networks and partnerships were mentioned.

3.5 EQ3. Finnish actors' suggestions for further development of Finnish climate finance

Finnish actors found that a larger share of the ODA for climate could be implemented through Finnish channels – by increasing funding for the instruments intended for Finnish actors and provide funding for thematic objectives. Several interviewees brought up that there is a need for the instruments providing funding for different actors, but there is also a need for thematic, or more joint funding. It was pointed out that different actors and relevant instruments are needed, since Finnish actors complement each other, and they respond to different needs. On the other hand, also opportunities to combine funding instruments or having other way joint funding was mentioned to be needed. This was noted to bring together Finnish expertise to work together for solving complex problems related to climate change. Now different actors were seen to work in silos, and the funding instruments are also in their silos, not ensuring synergies. The interviewees mentioned that there could be more thematic funding, e.g. considering what is climate-resilient forestry in Tanzania and what Finland can bring instead of different actors working separately with funding from different instruments, or there could be themes such as climate and peace building, climate and refugees.

The trend of channelling climate funding more through multilaterals, having less bilateral cooperation and not drawing on Finnish expertise concerned many of the interviewees among the Finnish actors. Funding through multilaterals was mentioned to be 'faceless' and Finland not getting the added value what is created when having direct contacts with partners and people in developing countries, i.e. creating contacts and expertise also for Finland. It was pointed out that if Finland would like to continue along 'punches above its weight' line, Finnish expertise is needed. Providing a small amount of funding for a big multilateral organisation does not build trust towards Finland in countries. It was also mentioned that if Finland would like to have experts also in those multilateral organisations, e.g. in the UN and development banks, it would be good to gain experience and references, e.g. in bilateral interventions. Several interviewees also talked about respecting Finnish expertise, how Finland could utilise Finnish expertise better, provide opportunities and 'open up the doors'. Other countries were mentioned to utilised better their own experts and taking care that there are opportunities for them.

Some of the interviewees also suggested that channelling climate finance through multilaterals could be more strategic focussing on organisations where Finland had influence. Finnish development policy interests should be emphasised more (including HRBA), and focus should be in the organisations in which Finland can influence.

The importance of considering how all the interventions in any sector integrate human rights or operationalised HRBA, or what are the criteria for a human rights sensitive, progressive and transformative climate intervention was brought up by some interviewees.

In addition, monitoring and reporting of these issues was noted to be important, not being just a mechanical exercise.

Finnish partners suggested a more transparent and regular dialogue between MFA and Finnish development cooperation actors on climate finance, its objectives and results. The dialogue would also provide opportunities to bring up different actors' expertise on climate issues. In addition, the dialogue could also include representatives from other ministries. All this would support to clarify the added value of Finland's climate finance. In addition, some of the interviewees noted the limited human resources of the MFA which further emphasise the importance of dialogue among Finnish actors to bring more views and experiences into the Finnish policy making in the area of climate action.

3.6 Challenges and lessons learned

Climate change was increasingly becoming a pressing issue – addressing climate risks determined the success of the interventions. Climate related challenges were mentioned related to the WASH sector, such as limited awareness and knowledge on impacts of climate change in the WASH sector at local government and community level and lack of institutional arrangement for climate risk management in the WASH sector. But increasingly, climate risks were taken into consideration through application of climate risks identification or climate vulnerability assessments which then led to the measures and targeted actions strengthening climate resilience in the programme.

Accelerating climate change impacts underscored the importance of better up-stream climate analysis and integration of climate risks into intervention design and being able to adapt intervention implementation with changes in the climate risks. The most important lessons learned brought out by the interviewees was the accelerated pace of impacts of climate change. Therefore, adaptive management, but also ability to do more at larger scale and volume were seen important. In addition, all adaptation should also include disaster risk management to ensure better preparedness. This was particular the case related to local agricultural extension services. Integrating relevant information and practical skills on climate change technologies into them would better ensure the sustainability. In addition, integrating climate change issues into the curriculum in agricultural universities as a part of the education, e.g. at agricultural universities would be important, since they are the people who are putting climate policies into practice, since they work themselves or train people who will work in agricultural extension services.

3.7 Conclusions and forward look

In terms of the volume of the climate finance, Finnfund is by far the largest Finnish actor. It also invests to the sectors such as sustainable agriculture and forestry which are traditionally considered strong Finnish sectors. It also invests in renewable energy. Bilateral/regional interventions formed about 6% of the climate finance interventions in 2016-2021. Their share will very likely be less in the future since Finland has increased in general its developing funding to multilateral organisations and decreased funding for bilateral/regional cooperation. The aim to decrease bilateral country programmes is also included in the new Programme of Prime Minister Orpo's Government (2023).

Support to Finnish CSOs, government agencies/state research institutions and higher education institutions formed a very small share of the climate portfolio. However, these actors focus especially on climate change adaptation and on the sectors which now receive less bilateral funding, e.g. forestry and agricultural sector.

In the sample of the case study the energy sector interventions were funded by Finnfund and Finnpartnerhip, i.e. they were implemented by private sector. This is probably linked to the nature of energy interventions, focusing more on climate change mitigation and thus, proving better business opportunities than adaptation related actions. In general, the Finnish companies share of the climate finance interventions was relatively small.

Finnish actors' interventions were found to be relevant with the global development and climate agendas, since their interests to participate in the climate change portfolio is based on the global agreements and partners' needs and priorities. Many of the climate interventions are based on the long-term cooperation with the partners, and the climate work has intensified during the years, partly due to the recognised impacts of climate change in partner countries. High quality expertise (e.g. on sustainable development, natural resources management, bioeconomy, meteorological services, forestry, agriculture and climate change policy work) and good working approach were seen as important strengths of Finnish actors by the Finnish actors themselves. CSOs ability to reach vulnerable people and groups at the grassroot level was separately highlighted.

3.8 Annexes

3.8.1 Annex 1 – Interventions included in the institutional case study

PROJECT NO.	PROJECT NAME (INDICATIVE)	CHANNEL
28235701 28235874	Support to private plantation forestry Private Forestry Programme II in Tanzania	Bi/regional
29892301	INT/ICRAF Forestry Sector Cooperation	Bi/regional
66014228	Rural Village Water Resources Management Project (III phase)	Bi/regional
58900301 'Finpac FMI' ID 58900201	Adapting to climate change in Oceania/S-E Asia	Bi/regional
29891601	Impacts of climate change on ecosystems in Eastern Africa	Bi/regional
81805001	INGO Aid to the International Union of Forest Research Organizations LUKE COORDINATES	CSO/INGO
89808701 (multiple project IDs)	FELM programme-based support (2018-2021)	CSO/INGO
248SP179 (multiple project IDs)	Finnish Red Cross programme-based support (2018-2021)	CSO/INGO
Multiple project IDs (including: 62200, 62800, 62300, 62100)	WWF programme based support (2018-2021)	CSO/INGO
76909124	Upgrading the Rainfall Storm and Lightening Detection Capabilities of National Hydro-Meteorological Service	Concessional credit
23816909	PIF Ethiopia: Improving meteorological observation infrastructure & forecasting capabilities of the National Meteorological Agency (NMA)	PIF
2009012	Finnfund (forestry)	Finnfund
2012026	Finnfund (renewable energy)	Finnfund
2013028	Finnfund (forestry)	Finnfund
2017022	Finnfund (renewable energy)	Finnfund
2001909	Finnfund (agricultural services)	Finnfund
2019042	Finnfund (forestry)	Finnfund

PROJECT NO.	PROJECT NAME (INDICATIVE)	CHANNEL
2019056	Finnfund (electric vehicles)	Finnfund
67302615	Capacity Building in the Field of Meteorology (Kyrgystan)	Institutional coop
28924134	Sudan & South Sudan ICI: Promoting Adaptation to Climate Change Through Improved Services Phase II	Institutional coop
64516714	Climate Modelling and Observations in India, ICI FMI	Institutional coop
28235767	INFORES Implementation of Forest Data in Tanzania	Institutional coop
29891501	CGIAR - cooperation on agricultural research and education	Research coop
28816604	Oy BioSorbio Ltd	PSI-grant
76405118	Finnpartnership programme	PSI-grant
27311812	SLA Innovative Energy Solutions	PSI-grant
66503208	Finnpartnership programme	PSI-grant
Based on the Interviews and documents		
Multiple IDs e.g. 23816921	Community-Led Accelerated Water Sanitation and Hygiene in Ethiopia (COWASH)	Bi/regional
89859001	Programme for Finland's Water Sector Support to Kyrgyzstan and Tajikistan (FinWaterWEI II)	Bi/regional
Multiple IDs e.g. 89892873	Food and Forest Development Finland (FFD) projects	CSO/INGO
Information mainly from the interviews (few documents):		
66014270	Finnish-Nepalese Project for Improved capability of the Government of Nepal to respond to the increased risks related to the weather-related natural disasters caused by climate change (FNEP, especially 3rd phase 2018-2024)	Institutional coop
76909174	Improving the Meteorological and Hydrological Services in Vietnam (PROMOSERV, especially III phase 2019-2024)	Institutional coop
28235796	Forestry and Value Chains Development (FORVAC)	Bi/regional
Project no. not known	Partnership for Forestry Higher Education Cooperation in Mekong Region (PARFORM)	HEI ICI 2017-2020
Project no. not known	Strengthening Climate Change Education for Sustainable Development in Vietnam (CLIDEV)	HEI ICI 2020-2024
Project no. not known	Problem-based-learning bioeconomy entrepreneurship and capacity building programme in Africa (PBL-BIOAFRICA)	HEI ICI 2020-2024
Project no. not known	Water and Vulnerability in fragile societies (WATVUL)	DEVELOP 2018-2022
Project no. not known	Environmental sensing of ecosystem services for developing climate-smart landscape framework to improved food security in East Africa (SMARTLAND)	DEVELOP 2018-2022

Source: Evaluation Team

3.8.2 Annex 2 – References

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4 CASE STUDY 4: TANZANIA

Table of contents

4.1 Introduction

4.1.1 Background

This case study constitutes one of 4 prepared for the Ministry of Foreign Affairs (MFA) Evaluation of Finland's International Climate Finance. The other case studies are (1) Adaptation and Cross-Cutting Objectives, (2) Private Sector; and (3) Finnish institutions and interests.

The purpose of each Case Study is to apply the overarching EQs, design and methodology of the strategic level evaluation while adapting their analysis for the specifics of the thematic context. The case studies provide findings against EQ1 and EQ2, and address implications for the future (EQ3).

The specific objectives of each case study are:

- To provide a contributory evidence stream to the overall strategic evaluation;
- To help interrogate the wider theoretical framework for the evaluation by generating evidence to inform it, and
- To generate lessons/implications to help inform MFA stakeholders in their work relating to climate finance as part of the constructive approach adopted by the utilisation-focussed model of the overall evaluation.

No Case Study is explicitly a full evaluation of Finland's Climate Finance in its context, which would be beyond its remit. Accordingly, it does not provide recommendations but rather proposes some lessons/implications to support internal dialogue and learning.

4.1.2 Purpose

This case study aims to assess how Finland's climate ambitions are delivered at a country level, considering direct programming, linkages to wider development cooperation and the role of climate in bilateral diplomacy. It reviews to what extent Finnish cooperation is coherent with national priorities and complementary to other initiatives within the country context. It also assesses any complementarity between Finnish-funded initiatives (i.e. greater than the sum of the parts). The case study is not an evaluation of the country programme per se, rather, it aims to deepen the understanding of the ways MFA funding instruments, guidelines and processes play a part at the national and local levels in relation to climate change related objectives and ambitions.

The evaluation team chose Tanzania as the subject of the case study following the climate finance portfolio review 2016-2021 and the indicated amount of climate financing disbursed specifically to Tanzania. The team also considered the recent country strategy and programming documentation, which explicitly include climate resilience in its results area.

4.1.3 Methodological approach

The case study's methodological approach was guided by the main EQs that were translated into case-specific sub-questions as set out in the evaluation framework in the main evaluation report. The case study was conducted based on the following streams of data and analysis. The findings, conclusions, and implications from the case study are presented here.

Documentary review of context-specific documentation. The key background and context-related documentation was reviewed concerning the climate change impacts and projections in Tanzania, institutional and policy frameworks relevant to the scope of the case study, statistics on climate finance flows, and climate-related interventions of other donors. (See Annex 4 – Documents consulted for complete list of references.)

Documentary review of MFA internal documentation. Key internal documents include country-specific strategies, programmes and priorities, policies and guidelines.

Country portfolio review. The quantitative portfolio review focussed on analysing the financial data by the sectoral focus, instruments/funding channels and Rio-markers. The quantitative review focussed on interventions with 'Tanzania' marked as the recipient country. Annex 1 – List of climate finance interventions lists all Tanzania-specific and regional interventions considered part of the Tanzania portfolio. Ten interventions were selected purposefully for a closer review. The selection was made based on the size of the intervention and coverage of different funding channels.

Stakeholder interviews. 44 stakeholders[45] were interviewed (57% were Tanzania-based). These consisted of both individual and group interviews. The interviewees were identified based on a) their proximity to Finland and Finnish climate finance interventions and b) coverage of different stakeholder groups (MFA, national counterparts, civil society, private sector and the donor community) and c) direct involvement in the portfolio interventions. The evaluation framework guided the semi-structured interviews conducted face-to-face and online. A one-week mission was conducted in May to meet with stakeholders in Dar es Salaam and Dodoma, Tanzania (see Annex 3 – Mission programme).

4.1.4 Limitations

Quantifying Finland's climate finance in Tanzania in the case of regional interventions has not been possible based on the available data set. Qualitative data was utilised to draw a complete picture of the Tanzania portfolio. The case study focusses on mainland Tanzania, considering that the official climate finance data set does not contain interventions implemented in Zanzibar[46].

While Tanzania remains an important recipient of AfDB, GCF, GEF and the AF, this case study focussed on the interventions and climate results that could be credibly linked with Finnish

45 Six of these were interviewed jointly in relation to other case studies.

46 Elsewhere in the evaluation report, references to the ZAN-SDI ICI project implemented in Zanzibar might have be made. However, this has not been part of the official data set, and thus is not part of this case study.

country-level efforts. The multilateral channel is only covered in terms of two visible thematic multilateral contributions in the portfolio.[47]

Documentary review is limited to the documentation that the MFA provided, or that were available in other public sources (e.g. access to Finnfund-related documentation has been limited). Some of the stakeholders were interviewed online.

47 FAO Forest and Farm Facility

4.2 Context

4.2.1 Tanzania climate change implications

The per capita emissions of the Tanzania were estimated to be 0.22 tCO_{2e} in 2014, significantly below the global average of 7.58 tCO_{2e} (URT 2021b). Emissions from Land Use, Land-Use Change and Forestry (LULUCF) contribute approximately two-thirds of the overall GHG, followed by Agriculture, Energy, Waste and Industrial Process and Product Use (URT 2020). The deforestation rate in Tanzania is estimated to be over 400.000 ha per annum (multiple sources).

Tanzania is expected to face severe effects of climate change in the coming years. Tanzania's economy is dependent on climate-sensitive sectors, such as agriculture, mining, tourism, fisheries, construction, and transportation. For instance, agriculture contributes approximately 14.1% of the national Gross Domestic Product (GDP), livestock 7.3% and industrial manufacturing (mainly based on agricultural products) 7.9% (URT 2021a.). The cost of climate change to Tanzania is estimated to be 1 to 2% of the GDP per annum by 2030 (World Bank 2019).

There are observed changes in climate variability in Tanzania that are consistent with the global understanding of the climate change impacts in the East Africa region. These relate to the observed mean temperature rise, variability and uncertainty in precipitation patterns affecting the long and short rainfall reasons and increased droughts (URT 2021a, Trisos et al. 2022). Projections show an increase in average annual precipitation in the North and Northeast, while a decrease in the Southern regions. Temperature projections show an increase of 0.8 to 1.8 degree Celsius in average temperature by 2040, generally less on the coast. (ibid.)

Increased variability of rainfall and drought is expected to reduce the productivity of some of the key agricultural crops and affect livestock, fisheries, forestry, and beekeeping. At the same time, sectors and resources that will be affected are wildlife, water resources, energy, industry and health. Equally, coastal and marine environments and sectors relating to the blue economy will be affected by the sea level rise (URT 2021a). Like elsewhere in the world, the socio-economic effects of COVID-19 and war in Ukraine accelerate climate vulnerabilities (e.g. UNDESA 2021).

4.2.2 Policy and institutional framework

Tanzania is a signatory[48] to the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto Protocol and the Paris Agreement. Tanzania's climate change-related commitments are elaborated in the Nationally Determined Contributions (NDC) updated in 2021.[49] NDC 2021 highlights the urgency to address vulnerabilities to the adverse impacts of climate change and implement the required adaptation actions. At the same, the NDC elaborates the country's

48 As of 2018

49 INDC was published prior to this document.

commitments to sustainable development pathways, including taking climate mitigation action within its national capabilities (Table 9).

Table 9 Tanzania climate change commitments as per NDC 2021

ADAPTATION TARGETS BY 2030	MITIGATION TARGETS BY 2030
• Reduce the impacts of climate change variability and associated extremes such as droughts and floods. • Reduce the risks of climate-related disasters compared to the current situation. • Access to clean and safe water for total population in urban and rural areas will be increased from 86% and 67.7%, respectively in 2015 to 100% by 2030. • Reduce the impacts of sea level rise (0,5-1m) to the island and coastal communities, infrastructure and ecosystems including mangroves.	• Reduce GHG emissions economy-wide between 30 to 35% relative to the business-as-usual scenario by 2030; 138-153 million tons of Carbon dioxide equivalent (MtCO2e)-gross emissions is expected to be reduced.

Source: URT 2021d

The climate actions are also elaborated in the National Climate Change Response Strategy (NCCRS) (2021) and the Zanzibar Climate Change Strategy (ZCCS) (2014)[50] that are linked with the national monitoring arrangement. NDC together with the NCCRS and ZCCS identify key sectors for climate actions and priority sectors for mitigation and adaptation action. The NDC is anchored with the Tanzania and Zanzibar Development Visions (2025) and the Third Five Year Development Plan (FYDP III). The overall monitoring responsibility of the NDC is with the Environment Division of the Vice President's Office. Implementation of the sectoral climate change commitments is further supported by sectoral policies and legislation (e.g. on forestry and agriculture) and corresponding ministries. The climate response strategy identifies 32 sectoral policies and legal frameworks that are in diverse ways addressing climate change in the country.

Tanzania National Action Plan for Adaptation (NAPA) was published in 2007. National Adaptation Plan (NAP) is currently under preparation and supported by a group of donors,[51] further specifying the adaptation actions. Tanzania has established frameworks to support carbon finance and trading. Such are REDD+ strategy (2012), the most recent Carbon Trading Guidelines were published in 2022 to address the high demand for carbon interventions. These guidelines cover energy, transport, waste management, forestry, agriculture, industrial processes, product use, and other land use (URT 2022).

4.2.3 Climate finance landscape

The Tanzania NDC 2021 estimates that the financial resources needed to implement the commitments is USD 19 billion (URT 2021d). Looking at the current climate finance flow landscape,[52] the

50 Both documents updated from the 2012 and 2014 versions

51 https://www.adaptation-undp.org/nap-gsp-country-brief-tanzania

52 'Climate-related development finance – partner country perspective'

OECD statistics for 2016-2021 indicate that Tanzania received USD 1.7 billion in climate-related development finance from DAC-member countries 2016-2021, inclusive of the imputed multilateral financing (OECD n/a). The ten most significant DAC member contributors were EU institutions (with USD 396.7 million) followed by France (USD 340.5 million), the UK (USD 254.9 million), Sweden (USD 142.5 million), Germany (USD 142.5 million) as well as Ireland, Canada, Norway and Belgium.[53] Sector-wise, the focus areas have been energy/agriculture/fishing and water supply/sanitation (OECD n.d.).

The largest MDB contributors were the WBG (USD 1.8 billion), AfDB USD (298 million) and European Investment Bank (USD 5 million), with the sectoral focus among others, on transport/storage, other multisectoral, energy, education and other social infrastructure. Other large multilateral mechanisms and funds have been the GCF (USD 264 million), GEF (USD 74 million) and Climate Investment Fund (CIF) (USD 36 million), followed by IFAD, AF and FAO. The sectoral focus of this group has been agriculture/forestry/fishing, water supply/sanitation and government/civil society (ibid).

In addition to the above-discussed international climate finance flows, private climate finance (international and national), and government budgets play a role in financing climate action. Interview sources also noted that the government budget had dedicated allocations to climate change . The establishment of the national climate financing mechanism has been under discussion since the previous five-year development plan cycle. The current five-year plan (FYDP III) states that such a system is needed to enable a coordinated and enhanced resource mobilisation for climate action.

4.2.4 Finland's country-specific policy context

Tanzania is one of the 12 bilateral development cooperation countries, six of these being in Africa (MFA n.d.c.). Tanzania is Finland's long-term partner and one of the larger recipients of development cooperation funds. Since 2013 the cooperation in Tanzania has been directed by the Country Strategy for Development Cooperation with Tanzania, a four-year document for 2013-2016, 2014-2017, and 2016-2019 (MFA n.d.a, MFA n.d.b, MFA 2021c). In 2021 the strategy was divided into the Country Strategy covering also political and trade relations and the Country Programme for Development cooperation 2021-2024 covering bilateral development cooperation. The country strategies (since 2021) are to consider overall inputs and activities of Finnish society in bilateral relations, while the country programme focusses on bilateral development cooperation, intending to safeguard the long-term approach (MFA 2021a, 2021b).

The country strategy aligns Finland with Tanzania's National Development Plan, Development Vision 2025 and notes that Finland pays special attention to poverty alleviation. The country programme is accompanied by the results framework with performance indicators and a Theory of Change (updated in 2022).

53 Comparative figure of Finland is USD 30.3 million (inclusive of imputed contributions)

Table 10 Tanzania Country Strategy and Programme objectives statements and prevalence of climate

OBJECTIVES/RESULTS STATEMENTS	EXAMPLES OF REFERENCES TO CLIMATE CHANGE
Country Strategy for Development Cooperation with Tanzania 2014–201754	
Development Result 1: Good governance and equitable service delivery Development Result 2: Sustainable management of the natural resources and access to land Development Result 3: Promotion of inclusive, sustainable and employment-enhancing growth	Climate change is discussed as one key challenge and context factor in Tanzania (p.5, 10). The development result 2 on sustainable management of natural resources includes actions to build climate resilience (p.17). Development result 3 links with climate change through green growth and climate-smart development in forestry and agriculture to reduce income poverty (p.18). Cross-cutting objective climate sustainability is discussed in the linkage with equity issues (p 17).
Country Strategy for Development Cooperation Tanzania 2016-201955	
IMPACT 1: Improved performance of the public sector Outcome 1.1: More efficient and accountable public financial management Outcome 1.2: More accountable and inclusive public policymaking IMPACT 2: Increased employment and livelihoods Outcome 2.1: Enabling environment for business and livelihoods enhanced Outcome 2.2. Competitive and responsible businesses and value chains created	The context section briefly mentions climate change as a challenge (p.8). The strategy links Finland's ongoing efforts in the forestry sector with the national climate endeavours. It also notes Finland's role in promoting forests in mitigating climate change and links sustainable natural resource management with climate resilience (p. 6, 17). The section on policy discusses also national climate commitments that are noted among other policy context factors (p. 26).
Finland's country strategy for Tanzania 2021-2024	
Strategic goals: 1. Finland promotes democracy, human rights and gender equality 2. Finland advances stability and sustainable development by contributing to poverty alleviation, promotion of livelihoods and climate resilience 3. Finland aims to strengthen inclusive and sustainable growth and employment creation by engaging in trade promotion and supporting the business environment	The context section described climate change trends and challenges (p.4-5). The strategy considers 'climate resilience' at the goal level (p.2). Climate change is discussed as a contextual factor affecting the economy through high dependency on agriculture and concerning deforestation (p.5). The intention to have a stronger focus on climate change in forestry programming is explicitly expressed (p. 6). Strategic Goal 2 highlights 'combating climate change and strengthening resilience' (p.10) while Strategic Goal 3 links the potential for climate adaptation through private sector solutions.

54

55 Reporting indicates that this also covered 2020.

OBJECTIVES/RESULTS STATEMENTS	EXAMPLES OF REFERENCES TO CLIMATE CHANGE
Country programme for development cooperation Tanzania 2021–2024	
Impact area 1: Inclusive development through active citizenship OUTCOME 1.1: Civic space protected OUTCOME 1.2: Increased opportunities for women to participate in leadership OUTCOME 1.3: Increased access to services for people affected by sexual and gender-based violence Impact area 2. Improved forest-based livelihoods and climate resilience. OUTCOME 2.1: Improved quality of ecosystem services from forests and village lands OUTCOME 2.2: Increased rural jobs and income from forest sector OUTCOME 2.3: Adaptive capacities of citizens to address climate change strengthened	The programme expresses the intention to 'contribute to climate change adaptation and mitigation through on-going cooperation and new initiatives' (p. 4). Impact area 2 links sustainable management of forests, village lands as well as commercial plantations, and value chain development with climate resilience through income and livelihood creation (p. 12-13). Outcome 2.3 links citizens' adaptive capacities to address climate change with climate data, awareness raising, efficient communication between different groups and relevant skills and technologies. The programme indicates that the old programmes would be adjusted, and new ones considered to be added under outcome 2.3 (p.16).

Source: MFA/Evaluation team

4.2.5 Past evaluative findings

While there are no previous evaluations of Finland's climate finance, some past evaluations at the thematic, instrument and strategic levels have addressed climate-related dimensions of Finland's development cooperation in Tanzania. Generally, the evaluations at hand refer to climate change as a significant contextual factor in relation to development programming in Tanzania. In addition, sections discussing the relevance, effectiveness and cross-cutting dimensions address climate change:

- The Tanzania case study prepared as part of the evaluation of *Finland's Development Cooperation Country Strategies and Country Strategy Modality* (Turner et al. 2016) discussed climate change as a CCO and found that Finland's support in natural resource management and engagement with the land cluster were the main approaches applied for tackling climate change and maintaining forest cover.
- *Final and ex-post Evaluation of three Institutional Cooperation Projects in Tanzania* (Caldecott et al. 2020) emphasises climate change and Tanzania's NDCs in the context of ICI implementation. The evaluation recommendations are geared around linking Finland's Tanzania country strategy and future ICI collaboration with the NDC and building partnerships and capacity around these aligned priorities.
- *The Evaluation of the Agriculture, Rural Development and Forest Sector Programmes in Africa* (Talvela et al. 2019)[56] found that the Tanzania portfolio had established links between nexuses relevant to climate change. The country report on Tanzania also

56 The evaluation covered multiple projects that also are considered in the climate finance portfolio: LIMAS, NFBKPII, PFP, INFORES, FAO FFF and interventions relating to FFD and FELM.

concluded that further guidance from the MFA would be needed to tackle broad-based problems, such as climate change.

- A country case study on Tanzania concerning the *Evaluation of economic development, job creation and livelihoods* (Laaksonen et al. 2021) identified that the Private Forestry Programme (PFP) and the Energy and Environment Partnership fund (EEP) were only interventions that aligned with climate change mitigation and adaptation -related country needs within the assessed portfolio. In relation to effectiveness, while the overall evaluation concluded that the forestry programming has been effective in addressing climate change, the Tanzania specific lessons implicated that MFA could further leverage forestry related lessons to help Tanzania mainstream climate resilience.
- The most recent reports (2022 and 2023) published under the *External Review and Evaluation Services of Forestry Programmes in Tanzania (ERET)*[57] *note the overall relevance of Finland's bilateral forestry interventions to climate change as per Finland's development policy context, CCO and in relation to the national policies. The intervention-specific findings*[58] *include a recommendation to further enhance climate resilience and carbon sequestration.*

57 Forestry and Value Chain Development Programme (FORVAC), Participatory Plantation Forestry Programme phase 2 (PFP2), Tree Outgrowers Support Programme (TOSP)

58 On PFP II

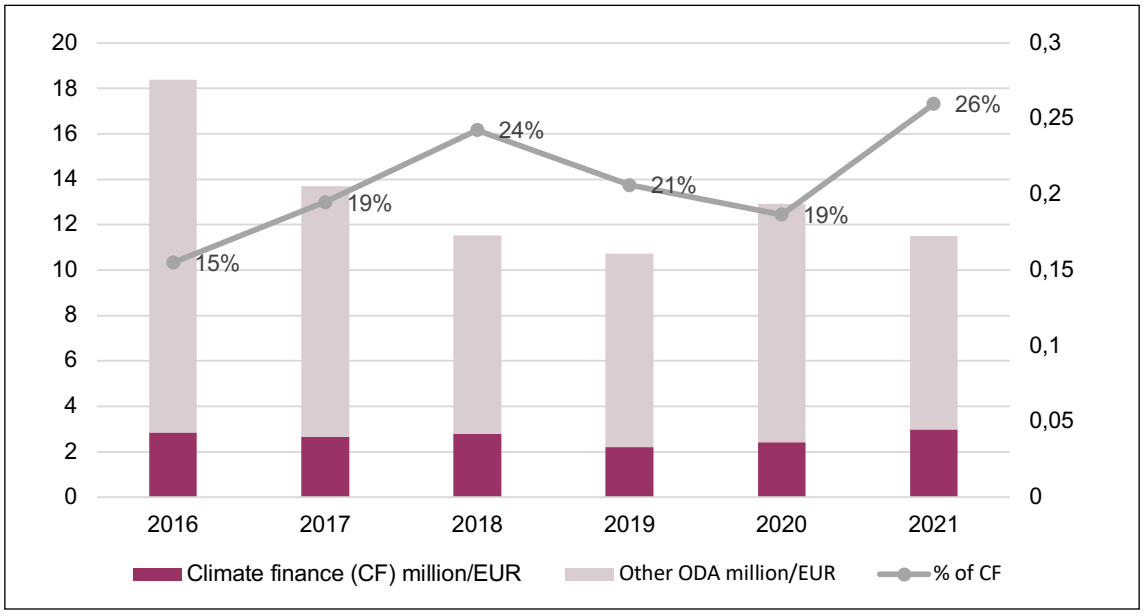
4.3 Finland's climate finance to Tanzania

4.3.1 Overview

Tanzania was the largest individual country recipient of Finland's climate finance 2016-2021 with EUR 15.9 million. This represents 20% of Finland's overall ODA of EUR 79.0 Million to Tanzania during the same period (MFA/OpenAid n.d.). EUR 15.9 million covers the climate finance that has 'Tanzania' marked as the recipient country in the MFA statistics system. [59] Climate finance to Tanzania varied EUR 2.2 and 3.0 million annually.[60]

These figures do not include regional allocations targeting Tanzania or multilateral contributions. The regional climate finance allocations 2016-2021 concerning also Tanzania were EUR 36.3 million, while multilateral allocations (in the form of core funding) were not estimated.

Figure 11 Climate finance and overall ODA disbursements to Tanzania 2016-2021



Source: OpenAid/MFA/Evaluation Team

Climate finance to Tanzania 2016-2021 was disbursed through multiple funding channels/instruments bilateral programming representing the largest disbursement channel (79% of the total). Apart from the EUR 15.9 million presented in Table 11, Tanzania also received Finland-allocated

59 When imputed multilateral financing as per OECD DAC methodology is considered, Finland's climate finance total to Tanzania 2016-2021 is USD 26 million (OECD n/a).

60 MFA provided the initial list of the 2022 climate finance disbursements.

climate finance from regional interventions that are also discussed in this section. However, due to data limitations, climate finance through these channels cannot be quantified. While not included in Table 11, some of the larger regional contributions are discussed here in the narrative section.

Table 11 Summary of climate finance Tanzania 2016-2021 – Limited to those disbursements that have 'Tanzania' marked as the location

	TOTAL CLIMATE FINANCE /EUR MILLION	MITIGATION RELATED CLIMATE FINANCE/EUR MILLION	ADAPTATION RELATED CLIMATE FINANCE/EUR MILLION
Bilateral programming	11.796	10.067	1.727
CSO programme and project based support	1.785	0.558	1.226
Thematic multi funding	0.916	0.457	0.457
Development policy investments	0.723	0.215	0.507
Institutional cooperation instrument	0.649	0.500	0.149
Grant Based private sector instruments	0.059	0.057	0.004
Other (including Fund for Local Cooperation)	0.007	0.000	0.007
Grand Total	**15.935**	**11.854**	**4.077**
Percentage (%)	100	74	26

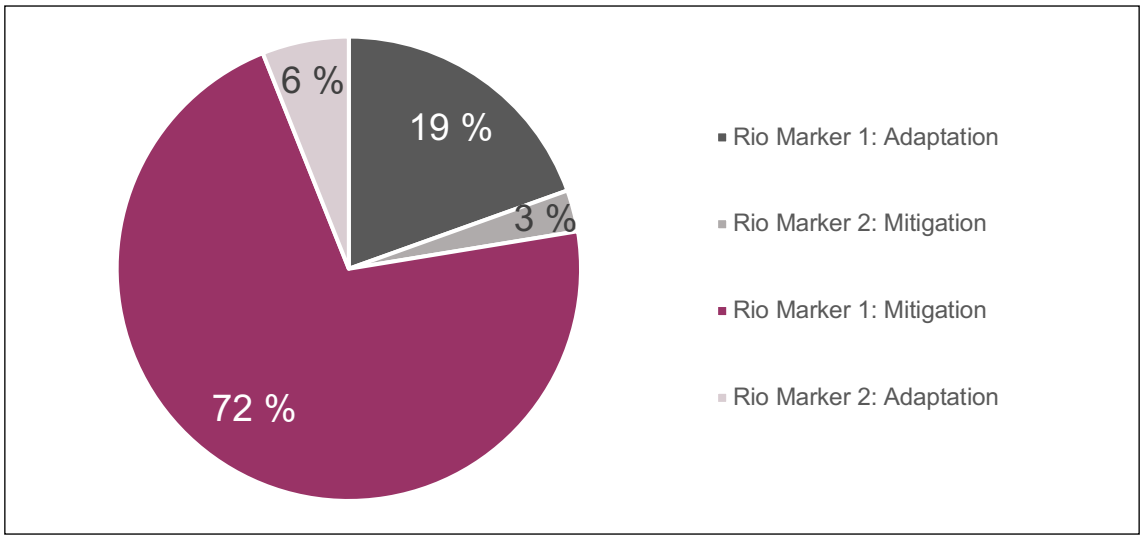
Source: MFA/Evaluation Team

Seventy-nine (79)% of the portfolio is related to 'forestry development' or 'forestry policy or administrative management' as per OECD DAC purpose categories. Other relatively large categories relate to education and training (6%), agriculture and rural development (5%) and human rights and civic participation (4%).[61]

From the overall Tanzania-specific portfolio, mitigation-related climate finance constitutes 74% and adaptation-related 26% (Table 11). As seen in Figure 12, most of this (91% of the of the total value) is marked as Rio marker 1 contributions ('significant') while only 9% are counted as primarily mitigation or adaptation (Rio marker 2).

61 These categories are combined from multiple OECD DAC categories.

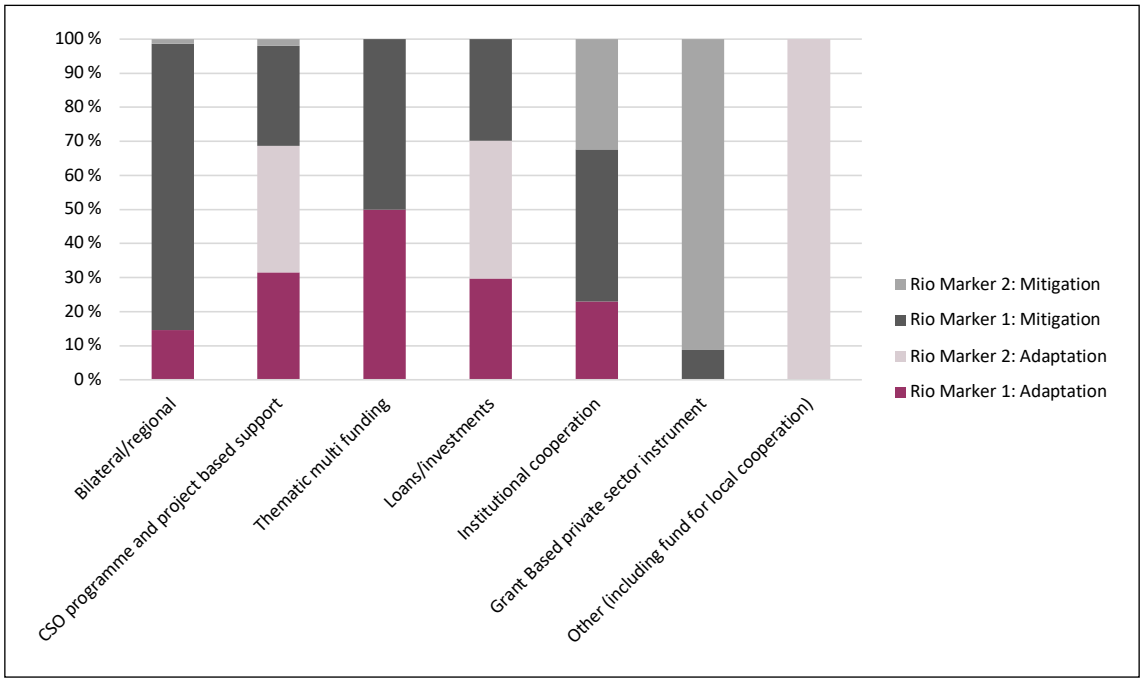
Figure 12 Tanzania climate finance portfolio by Rio Markers



Source: MFA/Evaluation Team

While the size of the funding channel/and instruments vary significant in size (EUR), Figure 13 shows the division of financing by Rio markers within in each channel.

Figure 13 Rio marker 1 and 2 disbursements within the Tanzania-specific climate finance portfolio[62]



Source: MFA/Evaluation Team

62 Thematic funding in this graph implies to Uongozi-related disbursements.

4.3.2 Description of key interventions

A major part of the climate finance through the **bilateral programming** consists of the private forestry programmes (PFPs) 1 and 2 and FORVAC project implemented under Country Programme impact area 2. Smaller disbursements under contributing to this impact area were the Tree Outgrower's Support Programme (TOSP) and the predecessor projects of FORVAC.[63] Climate financing to the Uongozi institute is also considered bilateral programming and is implemented under country programme impact area 1.

- *Private Forestry Programme (PFP 1)* was implemented in 2014-2019 with a total approved budget of 19.5 million. The overall objective of the intervention was to 'introduce and strengthen sustainable and inclusive private forestry that contributes to Tanzania's economic growth and alleviates poverty' focussing on small-holder plantation forestry and SME development in the Southern Highlands as well as contributing to enabling environment for plantation forestry. 40% and EUR 5.8 million of the total intervention disbursements during the evaluation period were counted as mitigation-related climate finance. The *Participatory Plantation Forestry Programme (PFP2)* is the continuation project for PFP 1 and it is being implemented in 2019-2023[64]. PFP 2 focusses on sustainable forest management and value chain development based on the smallholder plantations. Climate finance of the PFP 2 disbursements vary between 30 and 95% totalling EUR 7.4 million.
- *Forestry and Value Chains Development (FORVAC)* programme (2018-2024) aims to reduce deforestation and increase economic, social and environmental benefits from forests and woodlands. It builds on the past experiences and lessons learned from Finland's past in agriculture and forestry.[65] While PFP 1 and 2 focus on plantation forestry, FORVAC works towards improved value chains relating to natural forests in Village Land Forest Reserves. The total MFA budget is EUR 14.2 million. EUR 4.6 million of the disbursement by the time of the evaluation is considered climate finance.[66] All disbursements are marked as 30% climate mitigation and 10% as climate adaptation. A follow-on project for PFP 2 and FORVAC is currently under preparation and is expected to start in 2024.
- The *Institute of African Leadership for Sustainable Development (Uongozi Institute)* was established in 2010 with Finland's support. It is a leadership development institute focussing on advancing sustainable development in Africa. The institute conducts policy forums, dialogues, training, technical support and research (Uongozi Institute 2016). Finland has been the sole bilateral donor of this institute which aims to support sustainable development in Tanzania and more broadly in Africa by strengthening the capacity of the leadership and administration. 10% of the core funding contribution[67] has been climate finance totalling EUR 1.3 million over the evaluation period.[68]

63 Tree Outgrower's Support Programme (climate finance EUR 306.000) and the predecessors of the currently ongoing forestry projects, namely Lindi and Mtwara Agri-Business Support Project (LIMAS) (climate finance EUR 128.000) and National Forest and Beekeeping Programme (climate finance EUR 49.000)

64 No-cost extension for 2024 has been indicated.

65 National Forest and Beekeeping Programme (NFBKP II, 2013–2016), Lindi and Mtwara Agribusiness Support (LIMAS, 2010–2016), and Private Forestry Programme (PFP, 2014–2018)

66 This figure includes the 2022 disbursement to FELM.

67 The data set on climate finance indicates that the recipient of the climate finance under Uongozi funding phase II and III (project IDs 28235742 and 28235859) has been the government and the instrument is marked as 'earmarked/fund/there."

68 Uongozi core funding consist of bilateral programme funds and other thematic funding.

A part of Finland's climate finance to Tanzania has been disbursed through the **funding mechanisms for civil society.** Interventions implemented with programme-based support for the FELM received a total of EUR 1.4 million in climate financing. The climate proportion of the FELM programme in Tanzania varied between 20 and 80% with the largest disbursements relating to two climate adaptation and resilience-related projects implemented in Kishapu, Morgoro and Kilwa.

While not recorded as a country-specific disbursement, Finland's programme-based support for *WWF East Africa programme* 2018-2021 also received climate finance. The programme in Eastern Africa aimed to tackle the illegal logging and timber trade that are causing deforestation and hampering sustainable forest management and legal timber trade. 20% of the allocations for two interventions[69] in Eastern Africa also targeting Tanzania were counted as climate finance (EUR 248.000). This programme continues in 2022-2025. Another example of a regional allocation for Finnish CSOs is the Finnish Agri-Agency for Food and Forest Development (FFD). MFA's disbursements to FFD's project targeting are marked as 100% as climate adaptation financing in Tanzania and Mozambique.

Climate-related **DPIs** have taken place through Finnfund's direct investments in the East African forestry sector (regional and Tanzania-specific disbursements). Finnfund has invested in the Kilombero Valley Teak Company, New Forest Company and Green Resources AS also operating in Tanzania. For example, Finnfund contributions to Green Resources AS operating in Uganda, Mozambique and Tanzania were considered as climate finance disbursements in 2018, 2019 and 2020 were EUR 16.8 million (Finnfund n.d.a).

Institutional cooperation instrument (ICI) and research collaboration in Tanzania represents a small proportion of the overall climate finance portfolio. ICI intervention '*Implementation support of results and data of first National Forest Resources Monitoring and Assessment (NAFORMA) at regional and local level in Tanzania'* (INFORES) was implemented in collaboration of Finnish environmental institute and Tanzania Forest Research Institute (TAFORI) 2016-2018 with the total budget of EUR 700.000. The intervention built on the previous collaboration. 70% were counted as mitigation-related climate finance. Two new ICI interventions with links to climate finance were approved in 2022 and 2023. The objective of FINKERAT, regional ICI intervention of the FMI is to reduce vulnerability of societies in Kenya, Rwanda and Tanzania. Recently approved Blue-Zan project with SYKE similarly aims to enhance climate resilience in Zanzibar coastal areas.

Other regional mechanisms forming a part of the climate finance directed to Tanzania the EEP fund and FAO's Forest and Farm Facility. EEP supports improved access to and use of clean energy, energy efficiency, and environmentally friendly business activities in 15 southern and eastern Africa countries, Tanzania being one of these. The Forest and Farm Facility provides direct financial support and technical assistance to strengthen forest and farm producer organisations representing smallholders, rural women's groups, local communities and indigenous peoples' institutions and it has been implemented in Tanzania since 2020.

Grant-based PSIs represent a small part of Tanzania's overall climate finance portfolio, with one larger climate-related intervention through Finnpartnership of EUR 52.000 climate finance.

69 Project IDs 62200, 62700

4.4 Findings

4.4.1 Relevance and Coherence

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?

The climate finance portfolio relating to the forestry sector aligns with the national priorities, including those expressed in the NDCs. As mentioned, 79% of the country-specific climate finance portfolio for Tanzania relates to the forestry sector (bilateral interventions, Finnfund investments, ICI, CSO). This is largely considered as climate mitigation,[70] which in the context of GHG emissions from the land use and forestry sector and deforestation rate of Tanzania can be seen as a highly relevant portfolio. At the same time, only a small proportion of the forestry-related portfolio is marked as climate change adaptation finance. Tanzania's NDCs (2018, 2021) identify priority sectors for climate change adaptation and mitigation measures, one of which is forestry (see also Box 5). NDCs[71] note the importance of tackling deforestation and forest degradation through conservation, afforestation, and reforestation. While a majority of the stakeholders viewed Finland's support in the forestry sector as relevant to the country needs, some individual concerns were raised on the focus on plantation forestry and the use of forest resources instead of the protection and conservation of natural forests.[72]

Box 5 NDC priority measures for forest related priority areas

Forestry-related mitigation measures in the NDC 2021:

- Enhancing and upscaling implementation of participatory forest management programmes,
- Facilitating effective and coordinated implementation of actions that will enhance the contribution from the entire forest sector,
- Promote nationwide forest landscape restoration programmes and initiatives.

Forestry- related adaptation measures in the NDC 2021:

- Enhancing participatory sustainable forest and wildlife management,
- Safeguarding the ecosystem services, including through the promotion of alternative livelihood options to forest dependent communities,
- Strengthening forestry research and development to promote resilience to climate stress.

Source: URT 2021d

70 85 % of the climate finance relating directly to forestry sector is considered climate change mitigation finance while rest (15%) is considered adaptation.

71 URT 2018 and NDC 2021

72 It is noted that Finland supports both natural forests and plantations.

The direct elaboration of the relevance to national climate targets varied in the intervention documentation. For example, the relevance to national priorities is directly indicated in the more recent project documentation of PFP 2 and FORVAC, while in the case of the older interventions, this linkage has been less explicitly expressed. The FORVAC project document aligns its activities directly with adaptation measures of the NDC, also noting relevance with the mitigation aspects. Finnfund's investments in commercial plantations are implicitly relevant and have a role in large-scale afforestation and mobilising private sector finance into sustainable forestry. For instance, the climate strategy (NCCRS) notes a need to bring the private sector on board in several sectors relating to climate change, including forestry.

In addition to bilateral forest programming, Finland has supported research collaboration, FAO's Forest and Farm Facility and WWF's East Africa Forestry programme, supporting community-based approaches to forestry aligning with the NDCs.

Finland's climate finance portfolio is, to some extent, also aligning with the national climate adaptation priorities relating to agriculture and energy as well as multiple overarching topics identified in the most recent NDC. Finland's climate finance portfolio beyond the forestry sector[73] is focussed on climate change adaptation (as per the Rio marker methodology, 62% is adaptation-related climate finance). For example, Finland's climate finance to the CSO sector (including FELM) and FAO FFF is relevant to NDC priorities that are related to climate-smart agriculture. with explicit focus on adaptation. While EEP is marked with the mitigation Rio marker, the clean energy solutions also contribute to resilience[74]. Considering the overall climate finance portfolio, the Finland-supported interventions are in some parts relevant to gender mainstreaming (women's role in CSO and bilateral interventions) with some dimensions of technology transfer and capacity building which are noted as cross-cutting dimension in the NDC.

Climate change has been mainly understood as a cross-cutting dimension of the country strategy and bilateral interventions. Overall, 91% of the overall climate finance portfolio to Tanzania is Rio marker 1 contribution indicating significant but not primary focus.

The primary goal of the large bilateral interventions (PFP1, PFP2, FORVAC) in Finland's climate finance portfolio relates to poverty reduction, economic development and livelihoods implemented under Impact Area 2 of the country strategies. According to the stakeholders, these bilateral interventions have considered climate as a cross-cutting dimension and built it into the existing forest collaboration in line with the Country Programme impact area 2 (*2016-2019: Increased employment and livelihoods; 2021-2024; Improved forest-based livelihoods and climate resilience*).[75] The climate dimensions have been increasingly mainstreamed[76] into the intervention designs. For example, the revision of the FORVAC project document in 2022 notes increased attention to climate dimensions (Table 12).

Beyond the bilateral forestry programming (such as support to CSOs, FFF and EEP), the key driver to include climate considerations in the interventions is the organisation's internal priorities (e.g.

73 As country-specific disbursements this covers only 21%. However, this excludes FFF and EEP which are regional contributions.

74 Nordic Development Fund (NDC) (2020). Energising Resilience – a new study on energy and climate.

75 'Climate sustainability' was one cross-cutting dimension of Finland's development policy prior to 2021. Since 2021 climate resilience and low-carbon development has been the formulation the climate related CCO.

76 As per the most recent guideline (2023) the MFA CCO can be considered in following dimensions: 1) do no harm (minimum standard related to screening), 2) mainstreaming (integration throughout the context), 3) Targeted action (advanced the CCO), and 4) policy influencing.

CSO focus on climate action, FFF global framework, EEPs application-based funding process on clean energy interventions), which aligns with Finland's CCO. The climate relevance of Finnfund investments on commercial plantations is driven by industry standards relevant to impact investment (e.g. IFC or Forest Stewardship Council [FSC] certification).

Table 12 Climate linkages in the design of the forestry-related programmes

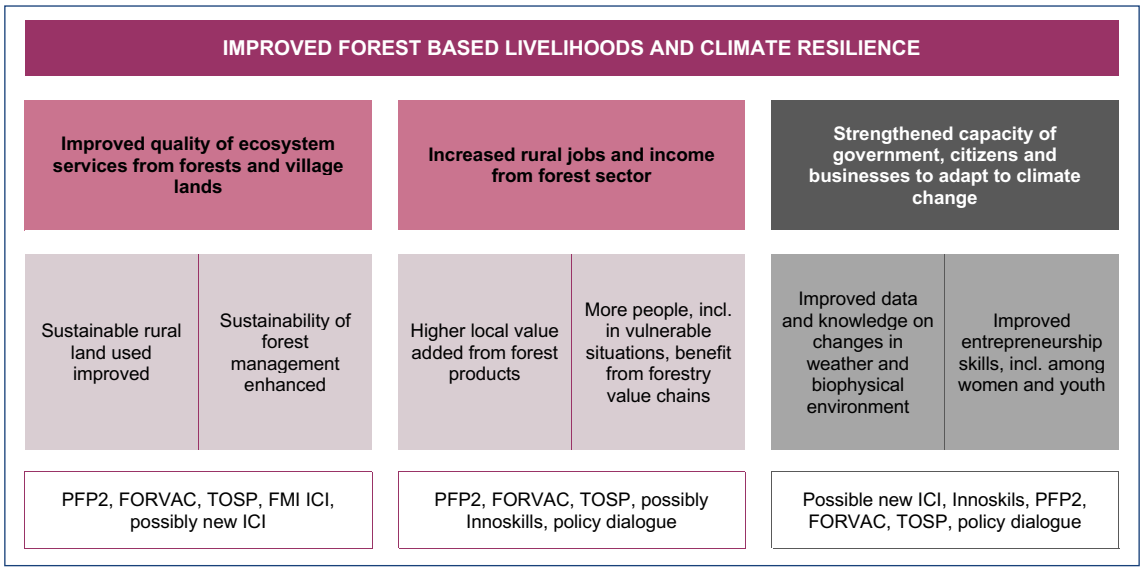
INTERVENTION	CLIMATE LINKAGES
PFP I project document (2015)	Contribution to climate mitigation and establishment of carbon trading projects are considered as longer-term aims (not in the results framework). Climate change is considered as a context factor and in the risk matrix in relation to environmental sustainability and climate change effects on the tree species.
PFP II projet document (version 2021)	The project document (2018, revised 2021) contains Climate sustainability and disaster risk assessment. Carbon forestry project certification has been considered in the results-framework. Climate change is discussed in reference to CCO of Finland's development policy and as alignment with national policies relating to climate change.
FORVAC (extension phase prodoc, version 2021)	Climate change and its impacts are considered in the risk matrix. During the extension stage and project document revision (2022) climate aspects are further included in the document. Environmental impact and climate change assessment is annexed in the project document containing the summary of climate trends, impacts of climate change and projections. Contribution to climate change mitigation and resilience is considered and explained in relation to the programme logic.
INFORES (project document 2015)	Climate sustainability is described in the documentation as an integral part of the project logic. The project intends to contribute a knowledge base that further supports more sustainable use of forest resources.
Finnfund investment (Green Resource SA)	Finnfund standard builds on the IFC Performance Standard. It is applied in relation to plantation investments and requires the consideration of environmental and social sustainability as well as climate risk assessment. In addition, application of Forest Stewardship Council standardisation is linked with consideration climate benefits.77

Source: project documents/Finnfund

Since 2021 climate has gained more visibility in country-level documentation. This increased focus is being realised slowly as concrete interventions. Country strategies and the most recent country programme for development cooperation 2021-2024 set the frame for implementing Finland's development cooperation in Tanzanian and the interventions that are considered as containing climate finance. The current country strategy 2021-2024 states the intention to 'have a stronger focus on climate change in forestry programming'. With the dedicated climate resilience outcome, indicators and newly approved ICI interventions, climate change is becoming an increasingly visible part of the development cooperation in Tanzania. The strategies and programmes are prepared in consultation with national stakeholders, the country strategy and programme build on the past interventions.

77 Source: FSC n.d.

Figure 14 Country programme Theory of Change for Impact Area 2 (updated 2021)



Source: MFA

The climate finance portfolio in Tanzania has very limited links to other parts of Finland's development cooperation and the Impact area 1. As described above, climate finance mainly relates to the forestry programme and impact area 2 of the country programme and has strong association with the programming in livelihoods and economic development. However, climate finance to the Uongozi institute (Institute of African Leadership for Sustainable Development) is a less known or visible part of climate portfolio. It is the only bilateral contribution within the climate finance portfolio that is implemented under Impact Area 1 of the country strategy/programme *'2019-2020: Improved performance of the public sector, 2021-2024: Inclusive development through active citizenship'.* 10% of the funding to Uongozi has been systematically marked as climate finance. The stakeholder interviews link support to Uongozi Institute more directly with other Finnish priorities and cross-cutting dimensions (such as good governance, and gender equality) than the climate change thematic. However, a recent MFA approval memo notes the climate relevance of Uongozi considering its training packages in Blue Economy and Green Cities, which do contain climate dimensions.

While the climate finance portfolio is internally coherent and reflects the Finnish added value as a forest partner, concrete collaboration examples are limited. Climate finance relating to forestry programming is allocated through multiple instruments/funding channels. Considering that Finland has been supporting the forestry sector for several years, there is a consistent sequencing of the bilateral interventions. Bilateral forest interventions (such as PFP, 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). Further examples of links and complementary efforts between interventions that aim to contribute to climate action by tackling deforestation are:

- Bilateral cooperation covers different types of forest ecosystem; natural forests managed by Village Natural Resource Committees (FORVAC) and small-holder plantations (PFP). Finnfund has supported large-scale commercial plantations,

- Finnfund and TOSP have had sequenced support benefitting same forestry companies,
- FFD and PFP operate in same southern highlands regions,
- CSO support (WWF, FELM, FFD) and FAO Forest and Farm Facility operate in the same thematic space with community-based approaches,
- Follow-on intervention for PFP II and FORVAC has been proposed in format that brings the working in small-holder plantations and natural forests under one initiative,
- Support to forestry related research has been sequenced. INFORES built on Finland's past support on NAFORMA, which established the methodology and approach for further use of NAFORMA data. INFORES was followed by the preparation of another research initiative.[78]

While the portfolio forms a relatively consistent group of interventions relating to sustainable forest management, the interviews indicated that the intention for closer collaboration between forest initiatives has not been realised as expected. The most consistent story revolves around 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.

While Finland is not seen as an active climate actor, it is known for its strong and consistent support in the forestry sector. Finland has the 'space' to address climate-related topics in relation to forestry. Based on interviews with various stakeholders, it is evident that Finland is regarded as one prominent donor in the forestry sector. Consistency and long-term commitment to the forestry and natural resource management sectors are referred to as the key strengths of Finland. It was further noted that Finland is relatively active in the Donor Partner Group on Environment (DPG-E) and has led the donor sub-group on forests that has held 3-4 meetings. Participating partners in the forestry sub-group have been Switzerland, Norway, Sweden, UNDP, UNEP, French Development Bank, AfDB, and FAO. Finland is not part of the donor sub-group on climate change. The interviews indicated that climate-related topics are to some extent addressed within Finland's forestry programming context with the partners but do not form the core of the collaboration.

Stakeholder interviews indicate that collaboration has been closer within the donor community in the past. The COVID-19 pandemic, challenges faced by the donor community during the previous administration, and the relocation of the capital to Dodoma, have affected the collaboration environment. There have been recent attempts at joint programming, but these haven't materialised. The main form of collaboration with the donor community is the exchange of information. Joint field visits were referred by one partner interviewee.

The key national partner in forestry is the Forestry and Beekeeping Division in the Ministry of Natural Resources and Tourism (MNRT), which together with the Tanzania Forestry Services Agency (TFS) has the key implementing role in forest-related policy and programme development. Finland's good relations with the national partners have been acknowledged by multiple stakeholders. It's noted as another strength that could be further leveraged for climate action.

78 This has not been approved for implementation at the time of this evaluation.

Table 13 Examples of the climate related programming of the peers in Tanzania

PEER COUNTRY	CLIMATE RELATED PROGRAMMING
Norway	One priority area of the cooperation is Climate Change and Environment with six interventions. Norway is known for its support to REDD+ in Tanzania since 2008. The intervention on REDD+ readiness support is ongoing with Norway support with the Vice President's Office. Norway had a key role in supporting the establishment of the National Carbon Monitoring Centre (NCMC). The portfolio also contains conservation and restoration of mountain ecosystems in support of ecosystem services and enhanced climate change mitigation and adaptation.
Switzerland	The Swiss embassy has implemented an intervention on sustainable and equitable natural forest management with the aim of transforming the economics and governance of forest product value chains. Among other things, the intervention promoted sustainable charcoal production. Links to Finland's forestry programming are noted.
EU	EU's international cooperation with Tanzania has been detailed in the Multi-annual indicative programme (MIP) for Tanzania. Support for climate change and the environment is delivered as budget support and project-based support. Within priority area 1 of 'Green Deals' the EU focusses on collaboration relating to 1) sustainable Blue Economy, 2) environmental protection and climate resilience and 3) Green and smart cities.

Source: Internet sources and interviews

4.5 Effectiveness and Results

EQ.2 To what extent has Finland's climate finance portfolio delivered results over the period 2016-22?

Climate finance targeting the forestry sector in Tanzania can be assessed to have a positive effect on climate change mitigation efforts. In the global scale Tanzania is a minor contributor to GHG emissions. However, considering the role of land use sector[79] and deforestation in terms of Tanzania's GHG emissions, Finland's support to the forestry sector offers a pathway for supporting mitigation efforts and resilience while generating income opportunities. The main mechanisms supported by Finland's climate finance 2016-2022 that contribute to climate change mitigation are:

- Plantations (industrial and small holder) increase the forest cover and biomass contributing to the establishment of carbon sinks. In addition, optimal rotation can further carbon sequestration. The effects are measured by estimated calculations of CO2e benefits compared to the baseline situation.
- Sustainable management of existing forest resources (including land use plans, governance structures, and forest fire management approaches) increases land/forest biomass contributing to enhanced carbon sequestration. Measured in terms of land area (ha) brought under sustainable land/forest management.
- The value chain approach supporting SMEs and wood-based industries promotes value-addition to the forest wood resources, with the potential of storing carbon in the value chain instead of releasing it into the atmosphere as an energy source.

Quantification of carbon sequestration is more feasible in the context of commercial plantations (e.g. in case of Finnfund investments) than in the case of small-holder plantations or natural forests. Beyond the forestry interventions, clean energy initiatives (under EEP) have the potential to replace charcoal with clean energy solutions, having a minor contributing to reduced GHG emissions. CSOs also actively promote community-level afforestation activities (promoting tree planting, community forestry and tackling illegal forestry).

Climate change adaptation and resilience results are less visible parts of the portfolio. Climate resilience results were directly reported by FAO FFF programme, FELM's programme-based support and FFD. The most explicit resilience results relate to climate-smart agriculture and agro-ecological farming practices.

Understanding contribution of sustainable forestry in reducing vulnerability and building climate resilience is present in the planning documentation and reporting. These narratives relate to:

- **Climate resilient ecosystems are supported** by introducing fire prevention and sustainable management practices, new tree species/seedling and silvicultural practices,

79 In the context of the whole land use, land-use change and forestry (LULUCF) sector.

- **Climate resilience of communities (people) enhanced** by providing means for alternative livelihoods in communities prone to negative climate impacts. Examples of awareness raising, piloting/applying new methods and behaviour change.

While these links are acknowledged at the project and intervention level, they do not seem to translate into a consistent impact story in the country programme-level reporting. Table 14 summarises the key contributions to climate change mitigation and adaptation by different instruments/funding channels.

Table 14 Examples of climate-related results reported in the Tanzania climate finance portfolio

MFA priority area: Climate and natural resources (2021)
Mitigation - Impact indicator: GHG emissions avoided (tonnes CO2-eq) with Finland's support
Adaptation - Impact indicator: Cases of climate change adaptation and adaptation co-benefits are presented, including case-specific quantitative data

TYPE OF RESULT	RESULT EXAMPLES [80]
Bilateral 81 (EUR 12.7 million)	
Climate mitigation	• Greenhouse gas benefit during first rotation as opposed to the baseline scenario: Pine 251 tCO2e/ha, Eucalyptus, 268 tCO2e[82] • Greenhouse gas benefit as 30-year average as opposed to the baseline scenario: pine 87 tCO2e/ha, Eucalyptus 119 tCO2e/ha • Establishing nearly 12.000 ha of new plantations with over 9.000 smallholder tree growers by applying improved tree seedlings and silvicultural practices • Participatory land use plans for 59 villages with over 90.000 inhabitants in total (Source: PFP 1 completion report) • Forest fire prevention and management practices (Source: PFP 1 completion report; PFP2 progress report, FORVAC draft Progress report, 2023) • Establishing 451.322 hectares of village forest under sustainable forest management, by tackling deforestation this contributes to climate mitigation (Source: FORVAC draft Progress report, 2023[83])
Adaptation/ Resilience	• Forest fire prevention and management practices (Source: PFP 1 completion report; PFP2 progress report, FORVAC draft Progress report, 2023) • Seed availability, improved tree seedlings and silvicultural practices (Source: PFP report) • Livelihoods diversification by improving skills and capacity, especially among the forest sector organisations and stakeholders (communities, smallholders, micro, small, medium size enterprises) and medium-scale enterprises • Adaptation is improved through ecosystem services like watershed management, micro-climate stabilisation, and control of land erosion • Forest livelihoods add to the household income and reduce dependency on agriculture, which is highly at risk to face climate change-related challenges like extreme weather events, droughts, and pests (following sustainable forest management practices) (Source: interviews, FORVAC progress report)

80 tCO2e = tonnes of CO2 equivalent

81 Disbursements to Uongozi institute have been categorised under thematic and bilateral channel. Both are included in this figure.

82 During their first rotation, the pine and eucalyptus plantations established on degraded grassland through the TGIS have a potential to sequester an additional 2.3 million tonnes of CO2 from the atmosphere (Source: PFP 1 completion report).

83 The draft progress report was approved by the steering committee.

TYPE OF RESULT	RESULT EXAMPLES [80]
Policy influencing/ advocacy	• Uongozi institute supports national development processes, and assessments reports on sustainable development. The institute has been referred as the partner for the most recent National Climate Change Response Strategy 2021-2026 (Source: URT, 2021 and MFA) • Finland provided support for the development of the national forest policy implementation strategy • PFP supported the broad participation of stakeholders in the drafting process and provided specialist knowledge on issues relating to smallholder plantation forestry and small wood-processing industries • Policy dialogue relating to the innovation and forest sector programmes and improvements in village land use planning related processes • Engagement with national actors contributed to use of revised land use planning guidelines (Source: MFA, PFP completion report, interviews)
Support to CSOs (EUR 1.8 million + regional contributions)	
Climate mitigation	• Final year of 2021, Tanzania added 5.781 hectares through community forest wood production • WWF together with the Mpingo Conservation Development Initiative (MCDI) have been supporting communities in Kilwa with managed early burning techniques around village forests to reduce fire damage (Source: WWF programme report 2021, interviews) • Tree planting within the communities (source: FELM report)
Adaptation/ Resilience	• 491 farmers adopted climate-smart techniques, 50% increase in yields (Source: interviews, programme reports, FFD internet) • Adoption of climate-smart agricultures, e.g. adoption and acceptance of climate resilient alternative crops (instead of cash crops) • Diversified livelihoods contribute to resilience. In the climate resilience intervention, 447 women are now able to gain livelihoods through handicrafts, beekeeping, subsistence farming, small-scale animal husbandry and tree-planting • Conflict risk identification and training of local leaders on land use related risks (Source: FELM annual report 2020, interviews) • In Tanzania, women, poor, disabled, and elderly people benefited when 50% of the income from timber sales were invested in social interventions and health services at community level, such as health insurance for the elderly and pregnant women (Source: WWF annual report 2021)
Policy influencing/ advocacy	• East Africa Forest Programme engaged in various regional platforms on timber trade in 2018, 2019 and 2021, and in the development of the East African Community (EAC) forest policy and implementation strategy of 2020–2030 with deep involvement of CSOs from the five partner countries (including Tanzania) • The Tanzania Forest Working Group (TFWG) was engaged in the development of the national forest policy implementation strategy and in preparations for the community based forest management action plan to be incorporated in the strategy • WWF Tanzania has engaged East African Community and its member states in discussions around climate change, forest governance and timber trading, as well as with the Uongozi Institute (Source: WWF programme based annual report 2021)

TYPE OF RESULT	RESULT EXAMPLES [80]
Development policy investments (EUR 0.7 million + regional disbursements)	
Climate mitigation	• Nordic Climate Facility (NCF) and Green Resources sequester approximately 1.5 million tonnes CO2e annually. This equals to annual CO_{2e} emissions of for example 150.000 Finns or 7.500.000 Tanzanians (*Regional results – not Tanzania-specific*) (source: Finnfund webpage)
ICI and research (EUR 0.6 + regional disbursements)	
Climate mitigation	• Increased knowledge of dynamics of different factors influencing forest cover (Miombo) • Utilisation of the National Forest Resources Monitoring and Assessment (NAFORMA) methodology and data • Contributed to determining Tanzania's Forest Reference Emissions Level (FREL) in support of REDD readiness (Source: interviews, INFORES report)
Multilateral thematic funding (regional)	
Climate mitigation	• Waste-to-energy fuel that is cheaper, longer-lasting and produces more heat than firewood or charcoal. This will reduce deforestation. The intervention is estimated to reduce 38.300 tCO2e emissions and create 100 jobs, with 72% of the leadership positions held by women.' • 63 energy hubs deployed across three regions (Pemba, Kigoma and Mtwara), providing electricity/charging stations to 51.000 people. The hubs are operated 100% by women hired from the communities (Source: EEP webpage) • Restored 7 areas to climate resilient landscapes (in Arusha, Manyara, Morogoro, Katavi, Njombe/Njombe, Ludewa/Njombe, Kagera) • This is 2.117,7 hectares of land (a cumulative total since 2021 of 4.274 hectares through tree planting, regeneration of degraded natural forests, and development of seven restoration action plans and strategies (strategies included modern beehives, clean cooking fuels) • Progress in agroecological farming with eight groups in Ludewa and Njombe Districts established; three communities in Njombe facilitating fire ward management to improve forest restoration (Source: FAO Farm and Forest Facility progress report 2022)
Adaptation/ Resilience	• Support directly reached 322.259 households responsible for 425.965 hectares with direct restoration impacts from FFF agreements • Training of 19 ToTs in climate resilience by MVIWAARUSHA[84] and 59 members in climate-smart agriculture by MJUMITA in 2022 • Progress in agroecological farming with eight groups in Ludewa and Ngombe districts establishing; three communities in Njombe facilitating fire ward management to improve forest restoration (Source: FAO Farm and Forest Facility progress report 2022)

Source: MFA reports, intervention level reports, interviews

84 Mtandao wa Vikundi vya Wakulima na Wafugaji Mkoa wa Arusha, abbreviated as MVIWAARUSHA, regional network organization in Arusha region

The interventions with climate finance have also delivered economic, social, and environmental benefits as the primary aims. Considering that the primary objective of most of the interventions in the climate finance portfolio related income generation and livelihoods, there are diverse other results and outcomes delivered as part of the projects and programme. In most cases, climate outcomes can be seen as an important 'co-benefit' to other development outcomes such as enhanced livelihoods, economic development, private sector development.

The assessment of effectiveness and monitoring has been hindered by the lack of climate-related objective/results statements and target setting. The Tanzania country strategy 2016-2019 and the related results framework do not include an elaboration of explicit climate-related objectives or indicators. Indicators relating to the 'increase of the land cover under sustainable management' can be seen as an important proxy for climate-related results (impact area 2). The newly revised country strategy, programme and related results framework have brought onboard climate-related result statements and indicators highlighting 'climate' as a measurable focus area beyond cross-cutting consideration.[85]

The results framework for the country strategy period 2021-2024 has integrated 'avoided GHG emissions' as an impact level indicator while the new outcome area on 'Strengthened Capacity of Government, Citizens and Businesses to Adapt to Climate Change' will enable elaboration for more climate specific interventions and indicators. The same applies to the results frameworks at the intervention level. Only in more recent bilateral forestry interventions (namely FORVAC) has the avoided GHG been set as an impact level indicator.

At the same time, it is important to acknowledge that quantification of carbon sequestration is more feasible in the context of commercial plantations (e.g. Finnfund investments) than in the case of small-scale tree plantations or natural forests. Quantification of mitigation efforts by small-scale tree planting activities is difficult. However, significant efforts have been taken at the intervention level to calculate/estimate the carbon sequestration effects of plantation projects (PFP).

Climate finance increasingly aligns with Finland's development policy principles (HRBA) and CCO (in this case gender equality and non-discrimination). The assessment of human-rights based approach and contribution to gender equality is possible to the extent these aspects have been reported as part of overall project/programme level reporting or evaluation. Recent evaluations of forestry programmes show a positive trend with regard HRBA integration and inclusion of women. The climate finance to the CSO sector is linked to the programming principles and practices that they promote.

Finland's consistent and long-term support to the forestry and natural resource management sector has the potential to demonstrate transformative and long-lasting results. In relation to the bilateral forestry programmes, there is an indication that diverse community level capacity building efforts and formal vocational education and training approaches (e.g. through the Forest and Wood Industries Training Center, FWITC) could have indirect effect on *behaviour change* in terms of tree planting and managing forests (both natural and plantations) in a sustainable and climate resilient manner. If so, these changes at the community level would also indirectly positively affect climate change mitigation and adaptation. The behaviour change is further supported by the established community structures that can potentially maintain and sustain the change.

85 Climate resilience and low emission development have been the cross-cutting objectives since 2021. Prior to this MFA documentation refer to 'climate sustainability" as a cross-cutting principle.

Anecdotal and observation-based views from the CSO sector on community-based agriculture and forestry practices also show that demonstration of climate-smart agriculture practices have the potential to change *attitudes* that again would help in scaling up more climate resilient practices.

Factors supporting sustainability of climate related interventions vary by mechanism demonstrating some positive signs. The sustainability of the climate-related benefits delivered as part of the climate finance portfolio can be mainly assessed based on the overall sustainability of the interventions. A recent evaluation of Finland's bilateral forestry programmes has indicated varying concern around sustainability. There is an indication that efforts have been taken to identify future pathways for sustainability. A new intervention is expected to address some of the issues. It also noted the transformation in the forestry sector requires a long-term effort. Some examples of interventions and signs of sustainability are:

- The main risks to sustained impacts of Finnfund investments are linked to the economic performance of the forestry companies. Green Resources, which has been the recipient of major parts of the climate finance investment was acquired by the African Forestry Impact Platform (AFIP) (Finnfund n.d.) indicating continued investments on the plantations and a positive trend.
- The East Africa Regional Forest Programme staff helped raise more than USD 7 million in GEF funding for a sustainable food system, land use and restoration intervention in Tanzania. Finland as an acknowledged forest actor has also influenced on the development of more sustainable forest policies, which if applied can also contribute positively to climate change.

Finland's climate finance to sustainable forestry and forest management is not fully set to respond to the competing paradigms in the sector. While the Finnish approach to supporting the sustainable use of forest resources is well justified and praised by many stakeholders, it competes with the traditional conservation thinking that aims to significantly limit the use of forest resources for livelihoods and economic purposes. At the same time, many interviewees noted the increased interest in and offering of carbon trading. While the PFP as well as the predecessor intervention have considered the potential for carbon forestry, it can also compete with the approach promoted by Finland which relies on sustainable use of forest resources (e.g. under FORVAC). Some concerns have been raised that there is limited understanding of the carbon trading mechanisms while at the same time, it is an attractive income opportunity to communities with forest resources.

Finland's climate finance in Tanzania forestry sector has promoted private sector involvement and investments. Attempts to link CSOs and the private sector have been less successful. The approach to link forests, value chains and economic benefits requires collaboration with private sector which has been done relatively successfully in the bilateral programming. Grant based development assistance and Finnfund investments have also targeted same companies contributing jointly to sustainable forestry sector in Tanzania[86]. The viability of Finnfund investment in Tanzania's forestry sector is demonstrated by the acquisition by AFIP.[87]

86 Kilombero Valley Teak Company, New Forests Company and Green Resources

87 Source: Finnfund 2022

Finnish forestry related industries (e.g. machinery) are not yet present or linked with climate finance-supported interventions. Recent events and openings[88] by Business Finland indicate an unrealised potential that could potentially further link Finnish technology with sustainable forestry, tackling deforestation and enhancing forest value chains in Tanzania. While the link between the bilateral forest programmes and private sector is evident, the CSO and private sector linkage in the forestry sector relating to climate finance has proven to be more challenging.

Multiple CSO interviews indicated attempts to link community-based forest management, agricultural practices and livelihoods with private sector actors. For example, WWF Tanzania and PSIs (Finnfund and Swedfund) were linked in a joint conference already in 2014. Also, baseline studies and cost-benefit analysis for linking community-based wood production demonstrated an attempt to close the gap in CSO and private sector within in the forestry sector. However, the overall view by the civil society actors is that finding a common ground between CSOs and private sector actors in sustainable forestry and climate action has not proven to be easy. EEP in the portfolio is a PSI with some examples of clean energy interventions in Tanzania.

Diverse challenges exist for a more effective climate finance portfolio. There are both internal issues relating to MFA's organisation and programming, and generic external issues that relate to the Tanzania context. There is generally an agreement that the last few years have been particularly challenging for different forms of collaboration. The generic contextual implementation challenges relate to COVID-19, political context and the relocation of government partner agencies to the new capital in Dodoma. Forestry is Finland's strength and an excellent entry point for climate-related collaboration and having a dedicated resource for forestry in the Embassy greatly supports it. At the same time, mainstreaming climate change seems to stop within the boundaries of Impact Area 2 while links could exist with Impact Area 1 (e.g. Uongozi Institute receives climate finance). Building collaboration with ministries beyond the MNRT could expand the engagement in relevant policy discussions on climate change.

88 https://www.team-finland.fi/en/whats-new/events/2023/morning-coffee-from-africa

4.6 Conclusions and forward-look

4.6.1 Conclusions

The full volume of climate finance to Tanzania is difficult to estimate considering large regional allocations and multilateral actors active in the country. The climate finance allocated directly to Tanzania over 2016-2021 has not significantly varied over the years and represents less than 20% of the direct allocations to Tanzania. However, it does not necessarily reflect the full picture of overall climate finance of Finland to Tanzania. Considering the regional and multilateral funding allocations that have also benefitted climate-related actions in Tanzania, it is difficult to calculate the full volume. This case has covered direct allocations and some of the regional interventions with explicit and visible links in Tanzania.

While the climate finance portfolio aligns with nationally owned priorities in relation to climate change, it has not been the driving force of the MFA programming in the country. The climate finance portfolio relating to forests and forestry (natural forests and plantations) is highly relevant and well-aligned with the country context and national priorities in climate change. At the same time, the primary goals and purpose of the programming relate to poverty reduction, livelihoods, and economic development. At the same time, Finland has not officially partnered with the Vice President's office, which has among other things the mandate to coordinate climate efforts on the UNFCCC commitments. This further demonstrates the less strategic consideration of climate action as part of Tanzania's country programme. Climate has been seen as a cross-cutting dimension under Outcome Area 2. However, climate is gaining increasing visibility in the programme and intervention documentation potentially raising the ambition level

Finland is not seen as a climate actor but is considered to have reputation and thematic focus that could be further leveraged for climate action. Finland's relatively coherent portfolio in the forestry sector and good reputation as a donor focussing on natural resource management is seen as a platform that could be further leveraged for climate action. While connections with other donors an partners have been recently hindered by external factors, thematic linkages and platforms for engagement and collaborating in the climate field with other peers and other actors exist.

Despite that the climate-related results can be considered as 'co-benefits' of interventions focussing on economic development and livelihoods, the climate finance portfolio, especially on forestry, has demonstrated climate related results. The Tanzania portfolio covered in this case study shows progress towards the mitigation results. Climate change mitigation-related indicators have been introduced only recently. However, quantifiable results are already available in relation to commercial and small-scale plantation forestry. There, is also an increased attempt to track and monitor the carbon sequestration effects despite the challenges. The limited elaboration of climate resilience objectives, results, and indicators limits monitoring, reporting on the results and identifying success stories.

While the portfolio focussed more explicitly on climate change mitigation – in terms of Rio Markers and actual reported results – the portfolio also demonstrates a range of potential adaptation results. These results are not always so explicitly available.

4.7 Implications and lessons from Tanzania

While Finland has established a valuable relationship with the key ministry in the forestry sector, closer collaboration with national partners and donors that are prominent in climate action could be beneficial. Tanzania shows that partnerships can be built based on diverse mandates. If Finland is interested in expanding its climate-related work, it should collaborate with the government actors directly involved in setting the national climate agenda (in the case of Tanzania this is the Division of Environment in the Vice President's Office (VPO). VPO collaborates with Norway, UK, South Korea, Germany, US and the EU (on Blue economy). While Finland's climate finance portfolio is smaller in comparison to these peers, extending collaboration with VPO could help leverage Finland's climate ambition.

Tanzania is an example of a context where Finland's respected role in the forestry sector/ Natural Resource Management presents an opportunity to expand climate messaging and link the programming more strategically with the national climate priorities. Considering Finland's plan for international climate finance and the idea to 'explore how country programmes could better link the work in natural resource sectors to climate action' (MFA 2022), Tanzania demonstrates a context where this indeed could be done. Building on the climate-relevance of sustainable forestry, Finland has the place and 'a call for it' to take a more active role in climate action, leveraging on the current achievements and relationship with the government. Past evaluations have also elaborated that Finland's role in forestry could be further utilised to address climate change.

Effective Climate action requires action and/or collaboration across sectors. While Finland's niche and strength relate to forestry, climate change is a multifaceted and multidisciplinary issue. Finland has already integrated the value chain thinking as part of its bilateral forest programmes linking the socio-economic issues in the solution. The interviews acknowledged Finland's strength in the forestry sector, but it was also noted that in order to address deforestation and other underlying issues of climate resilience and low-emission development, more integrated thinking involving many sectors is needed. For instance, in the context of Tanzania bringing together forestry know-how, agriculture, and food security dimensions were mentioned as some options for increasing the effectiveness of forest interventions.

To be an effective partner in climate-relevant (and sensitive) sectors, the ability to respond with relevant capacities is highlighted. The capacities of staff and partners need to respond to the evolving trends relating to climate finance and the effectiveness of climate actions. For example, methodologies and technologies required for carbon sequestration calculations can be challenging but methodologies exist and could benefit from collaboration with universities and the private sector already in the Finnish network. Another challenging contextual factor that cannot be ignored is the significantly increased interest in carbon financing and trading systems. This will inevitably concern the forestry sector and as bilateral partners Finland might be in a good position to respond to some the new capacity needs through its network of academic/research and private sector actors.

4.8 Annexes

4.8.1 Annex 1 – List of climate finance interventions

The selected sub-projects for a review: private forestry programmes (PFP 1 and 2), FORVAC, FELM programme based support, Uongozi institute (phase II and III), Finnfund forest-related investments in Tanzania (country specific and regional contributions), INFORES, Energy and Environment Fund Africa (EEP), Forest and Farm Facility, WWF programme based support (East Africa Programme). For these interventions available intervention planning documentation, progress reporting and evaluation (if applicable) were consulted.

INTERVENTION IDS	INDICATIVE DESCRIPTION	FUNDING CHANNEL / INSTRUMENT	TOTAL CLIMATE FINANCE / EUR MILLION	MITIGATION CLIMATE FINANCE / EUR MILLION	ADAPTATION CLIMATE FINANCE / EUR MILLION
28235701	Support to private plantation forestry (PFP 1)	Bilateral	5.843	5.843	0.000
28235796	Forestry and Value Chains Development FORVAC	Bilateral	3.512	2.634	0.878
28235874	Participatory Forestry Programme (PFP 2)	Bilateral	1.587	1.073	0.513
Multiple project IDs (TZ710, TZ705, TZ704, TZ703, TZ701, TZ797)	FELM programme-based support	CSO programme-based support	1.416	0.374	1.041
28235859	Uongozi phase III	Thematic funding	0.863	0.431	0.431
TZA-1999020	Finnfund (forestry related)	Finnfund	0.723	0.215	0.507
28235767	Implementation support of results and data of first National Forest Resources Monitoring and Assessment (NAFORMA) at regional and local level in Tanzania (INFORES)	institutional cooperation instrument	0.490	0.490	0.000
28235742	Uongozi institute phase II	Bilateral	0.421	0.210	0.210

INTERVEN-TION IDS	INDICATIVE DESCRIPTION	FUNDING CHANNEL / INSTRUMENT	TOTAL CLIMATE FINANCE / EUR MILLION	MITIGATION CLIMATE FINANCE / EUR MILLION	ADAPTATION CLIMATE FINANCE / EUR MILLION
28235919	Tree Outgrowers Support Programme in Tanzania TOSP	Bilateral	0.306	0.306	0.000
5054	FIDA programme Based support	CSO programme based support	0.220	0.073	0.147
89891851	Biosafety and biosecurity/ prevention of spread of infectious diseases	institutional cooperation instrument	0.149	0.000	0.149
28229402	Lindi and Mtwara Agri-Business Support Project LIMAS	Bilateral	0.128	0.000	0.128
28235849	Finnpartnership programme	PSI-grant	0.052	0.052	0.000
28227504	National Forest and Beekeeping Programme (NFBKP)	Bilateral	0.049	0.024	0.024
28235775	ENO programme association	CSO project support	0.037	0.037	0.000
282FSP24	KEPA/Fingo	CSO programme based support	0.030	0.023	0.008
282KEP74	KEPA	CSO programme based support	0.030	0.015	0.015
28235844	Turun maantieteellinen seura	CSO project support	0.028	0.016	0.011
282FSP32	Frikyrklig Samverkan rf	CSO programme based support	0.016	0.012	0.004
28235768	Geological Survey of Finland	institutional cooperation instrument	0.010	0.010	0.000
29892344	Keravan Kehitysmaayhdistys ry	CSO project support	0.008	0.008	0.000
28235788	Embassy of Finland or other	Local development fund	0.007	0.000	0.007
095-15-	Finnpartnership programme	PSI-grant	0.005	0.003	0.003
28229802	Sustainable Manage-ment of Land and Envi-ronment, SMOLE, II	Bilateral	0.003	0.003	0.000

INTERVEN-TION IDS	INDICATIVE DESCRIPTION	FUNDING CHANNEL / INSTRUMENT	TOTAL CLIMATE FINANCE / EUR MILLION	MITIGATION CLIMATE FINANCE / EUR MILLION	ADAPTATION CLIMATE FINANCE / EUR MILLION
150-15-	Finnpartnership programme	PSI-grant	0.001	0.001	0.001
153-15-a	Finnpartnership: Business linkage programme	PSI-grant	0.001	0.001	0.000
		TOTAL	**15.935**	**11.854**	**4.077**

Source: MFA/Evaluation Team

Regional interventions that were identified as relevant to the Tanzania case study during the portfolio review. EUR amounts relate to the regional or multi-country disbursement and are not Tanzania specific. Tanzania has been identified as one recipient location for these climate finance disbursements.

INTERVEN-TION ID	INDICATIVE DESCRIPTION	FUNDING CHANNEL / INSTRUMENT	TOTAL[89] CLIMATE FINANCE/ EUR MILLION	MITIGATION CLIMATE FINANCE/ EUR MILLION	ADAPTATION CLIMATE FINANCE / EUR MILLION
28924139	Energy and Environment Fund (EEP) Africa	Thematic funding	17.300	15.550	1.750
2019042	Finnfund: Green resources (Tanzania, Kenya, Ruanda)	Development policy investment	16.794	16.794	
89892232	FAO Farm and Forest Facility	Thematic funding	2.660	1.330	1.330
29891601	Impact of climate change in ecosystems in Eastern Africa (AFERIA)	Research	1.000	0.000	1.000
62200, 62800	East Africa Forest Programme (WWF)	CSO programme based support	0.248	0.093	0.157
89892873	Enhanced livelihoods and value chains for farmers' organisations in Mozambique and Tanzania (FFD)	CSO project based support	0.232	0.000	0.232
89892479	Civil society capacity-building and UN advocacy: strengthening regional and international networks	CSO project based support	0.047	0.023	0.023
		TOTAL	**38.281**	**33.790**	**4.492**

Source: MFA/Evaluation Team

89 Regional/multi-country climate finance (Non-Tanzania specific)

4.8.2 Annex 2 – Stakeholder interviews

NAME	ROLE	ORGANISATION	COUNTRY
Kari Leppänen	(Previous Advisor in the Embassy, currently Consultant involved in the Forest Programme Design)	Embassy of Finland Tanzania	Finland
Timo Voipio	Head of Cooperation (Previous)	Embassy of Finland Tanzania (currently in ministry of health)	Finland
Juhana Lehtinen	Head of Cooperation	Embassy of Finland Tanzania	Finland
William Nambiza	Coordinator, Development Cooperation	Embassy of Finland Tanzania	Tanzania
Heini Vihemäki	Councellor, Forestry and Innovations	Embassy of Finland Tanzania	Tanzania
Elina Leväniemi	Programme Officer	MFA ALI	Finland
Dr. Andrew Komba	Director	Vice president's Office, Division of Environment	Tanzania
Deusdedith Bwoyo	Director of Forestry and Beekeeping Division	Forestry and Beekeeping Division in MNRT	Tanzania
Mariam Mrutu (written inputs)	Steering Committee Member FORVAC and PFP	Tanzania Forestry Services Agency (TFS)	Tanzania
James Nshare	National Project Coordinator	FORVAC project	Tanzania
Rogasian Philip	FORVAC Steering Committee Member	President's Office Regional Administration and Local Government (PORALG)	Tanzania
Michael Hawkes	Chief Technical Advisor	PFP2 project	Tanzania
Davis Chidodo	M&E Officer	PFP2 project	Tanzania
Arttu Pienimäki	Senior Advisor (previously M&E officer PFP)	PFP project (previously)	Finland
Jorma Peltonen	Home Office Coordinator	FORVAC project	Finland
Peter O'hara	Chief Technical Advisor – FORVAC project	FORVAC project	Tanzania
Nette Korhonen	International Monitoring, Evaluation and Communication Expert	FORVAC project	Finland
Thomas Selänniemi	Home Office Coordinator, PFP2 project	Indufor, FORVAC project	Finland
Jussi Viding	Fund Manager EEP (Africa)	Nordic Development Fund	Finland
Konsta Heikkilä	Senior Advisor (previously advisor in Uongozi institute 2021-2022)	HAUS Finnish Institute of Public Management	Finland

NAME	ROLE	ORGANISATION	COUNTRY
Hans Lemm	CEO (previously with Kilombera Valley Teak company)	Green Resources AS	Tanzania
Esa Rantanen	Commercial Counsellor	Business Finland East Africa	Kenya
Teressa Juhaninmäki	Regional Director	FELM East Africa	Tanzania
(Ruusa Gawaza) jaana	Climate Resilience Advisor	FELM East Africa	Mozambique
Anna-Kaisa Kähkölä	Programme Officer	FELM Tanzania	Tanzania
Sarah Nasson Ngoy	Executive Director	Forum Climate Change	Tanzania
Msololo Onditi	Head of Programmes	Forum Climate Change	Tanzania
Tiina Huvio	Executive Director	Food and Forest Development Finland	Finland
Dr. Lawrence Mbwambo	Conservation Manager	WWF Tanzania	Tanzania
Geofrey Mwanjela	Previously with WWF Tanzania	WWF Tanzania (previously)	(currently in Nigeria)
Pentti Niemistö	Research Scientist	LUKE	Finland
Elisha Elifuraha Njoghom, Ph.D.	Research Coordinator	Tanzania Forest Research Institute (TAFORI)	Tanzania
Petri Pellikka	Professor of Geoinformatics	University of Helsinki	Finland
Tino Johansson	Research Coordinator, Geoinformatics	University of Helsinki	Finland
Abbas Kitogo	Programme Specialist on Climate Change and Energy	UNDP Tanzania country office	Tanzania
Dr Nyabenyi Tito Tipo	Country Representative	FAO Tanzania country office	Tanzania
Bakanga, Geofrey	Coordinator FFF Programme	FAO Tanzania country office	Tanzania
Nixon Earl	Assistant Forest Programme Officer	FAO Tanzania country office	Tanzania
Tulahi, Charles	Assistant FAO Programme	FAO Tanzania country office	Tanzania
Tirweshobwa, Silvia	Programme Officer	FAO Tanzania country office	Tanzania
Clara Melchior	Programme Officer, Employment and Economy	Embassy of Switzerland	Tanzania
Mathew Mpanda	Programme Officer	EU delegation	Tanzania
Odd Eirik Arnesen	Councellor, Agriculture, Climate, and Environment	Embassy of Norway	Tanzania
Yassin Bakari Mkwizu	Programme Officer, Agriculture Climate Change and Research	Embassy of Norway	Tanzania

Source: Evaluation Team

4.8.4 Annex 3 – Mission programme

Tanzania case study mission May 28 – June 3, 2023, Dar es Salaam and Dodoma, Tanzania

Participants: Saila Toikka, Evaluator & Kahana Lukumbuzya, Evaluator (Local Expert)

DATE	ACTIVITIES
Sunday, May 28th	Preparatory team meeting, review of the mission plan (Dar es Salaam/online)
Monday, May 29th	Interviews with representatives from the Embassy of Finland, Embassy of Switzerland and FAO Country Office (Dar es Salaam)
Tuesday, May 30th	Interviews with representatives from the EU delegation, Bilateral/ Participatory Forestry Programme and WWF Tanzania (Dar es Salaam/ online)
Wednesday, May 31st	Interviews with representatives from the Embassy of Norway, Forum Climate Change and FELM (Dar es Salaam/online)
Thursday, June 1st	Morning flight to Dodoma Interviews with representatives from the Ministry of Natural Resources and Tourism *[postponed and held online]* and the Vice President' Office (Dodoma)
Friday, June 2nd	Interviews with representatives of the FORVAC project team *[postponed and held online]*, Tanzania Forest Research Institute (TAFORI) and President's Office, Regional Administration and Local Government (PO-RALG) (Dodoma) Evening flight back to Dar es Salaam
Saturday, June 3rd	Team wrap-up (by email)

4.8.5 Annex 4 – References

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In addition, available project related documentation (such as project proposals, progress reports) for all relevant interventions identified in Annex 1 – List of climate finance interventions were consulted.

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