

Result management in Finland's bilateral development cooperation

Result budgeting and result management are key means by which Parliament and the Government prescribe the use of funds in the state budget. The goal is to link resources or funds to agreed results and effects. An essential part of result management is reporting on the effectiveness of activities.

Dissatisfaction has been voiced in Parliament concerning the effectiveness of result budgeting and result management, particularly with regard to the adequacy and level of information received by Parliament.

International development cooperation is the largest expense item in the foreign affairs sector, and €73 million was appropriated for this purpose in the 2003 budget. This is 51% of total expenses in the sector. Of the total €12 million was appropriated for bilateral development cooperation.

The goal of the present audit was to evaluate the effectiveness of result management in bilateral development cooperation. The main question was whether effectiveness reporting at the Ministry for Foreign Affairs gives correct and adequate information concerning bilateral development cooperation and its success. The audit examined the setting and revision of objectives from the budget stage to the project level. Reporting was examined from the project level to the Government's report on the management and status of state funds.

The audit is based on written materials and their analysis as well as interviews with personnel at the Ministry for Foreign Affairs, consulting firms participating in projects in Finland, and Finnish missions and authorities conducting projects in Dar es Salaam and Windhoek.

According to the Government's decisions in principle and the Government programme, the objectives of Finland's bilateral development cooperation are to reduce poverty, to prevent environmental threats, to promote equality, democracy and human rights, to promote global security and to increase economic interaction. These social objectives are imprecise and their achievement is hard to measure. Objectives related to concentrating cooperation are intended to improve quality and effectiveness. Concentration is one important way to achieve effectiveness objectives. Objectives have not been set with regard to economy or productivity.

In the monitoring and reporting system for development cooperation, resources or funds are targeted only according to main objectives at the project level. The main objectives concern reducing poverty, the environment and democracy. Targeting should be done for more result objectives, with the allocation of funds corresponding to the real content of each project as well as possible. Resources should be allocated when result objectives are set.

Result reporting on bilateral development cooperation in 2002 is clearly better than before. The annual report focuses on measures aimed at improving the quality and effectiveness of activities and their results. Bilateral development cooperation has been concentrated on fewer countries and larger national programmes. The significance of supporting sector programmes and direct budget aid is growing. Reporting on evaluation results also gives a better picture of the effectiveness of activities.

Reporting should also cover the achievement of effectiveness objectives and resources used for this purpose. This reporting should be based on project monitoring, which requires the use of standard indicators. Since objectives at the project level generally concern a number of result objectives at the same time, combining results can apparently only take place by making estimates. Utilizing results at the project level in effectiveness reporting also requires summaries at least for each country and apparently for each unit or department at the ministry. Effectiveness reporting can also be based on the use of evaluation results. In addition to normal effectiveness reporting, evaluation could also include analysing the achievement of result objectives.

Monitoring and reporting at the project level have been based on implementing organizations' own systems and needs. These have not always met the requirements in project guidelines. Leeway has been given because it has not been considered reasonable to require aid recipients to strain their own administrative resources with separate monitoring and reporting. Using recipient countries' own systems to administer projects is also in line with Finland's developing country policy. The systems used should serve the information needs of the donor as well as the recipient of aid. Special attention should be paid to their reliability.

In the monitoring and reporting system for development cooperation, project payment information should apply to all the result objectives which have been set. This should primarily be based on cost monitoring information at the project level. Cost monitoring based on result objectives has not been arranged so far. Owing to the difficulty of coordinating project activities and result objectives, it may be better to allocate project costs to different result objectives according to estimates. This would provide at least some indication of the use of resources in the ministry's effectiveness reporting.

The shift is being made from project-form development aid to sector programmes and budget aid. Monitoring the results and effects of activities is therefore based increasingly on target countries' own monitoring and reporting systems. The members of the United Nations have jointly approved the Millennium Declaration, which includes the goals of reducing poverty and inequality. Indicators to promote equality and improve women's position have also been jointly approved. The eight development goals in the declaration correspond largely to Finland's developing country policy. The evaluation of the results and effects of activities as well as cooperation and dialogue between Finland and developing countries and other aid organizations could be improved by harmonizing the objectives in Finland's developing country policy with the goals in the Millennium Declaration.

