

Commentary Pertaining to the Bill

I. History, Reason and Need for Legislative Amendment

This bill was previously submitted during the 144th session. It went through careful procedure and detailed discussion, i.a. in the Foreign Affairs Committee, but did not go forward. The bill addresses comments made during meetings in the Foreign Affairs Committee in two places. First, explanatory remarks on Article 8 are inserted into the chapter containing comments to individual articles of the bill, and second, comments are added to the explanatory remarks on Article 4 regarding the number of meetings in the Development Cooperation Committee.

Act No. 121/2008 on Iceland's Development Cooperation introduced significant changes to the organisation of Iceland's development cooperation. Comprehensive legislation was adopted for all of Iceland's official development cooperation, which includes multilateral and bilateral development cooperation, peacekeeping efforts and humanitarian aid. The Act unified policy making and created an overview of the policy area. Nevertheless, the implementation rested with two parties; the Ministry for Foreign Affairs carried out multilateral development cooperation and the Icelandic International Development Agency (ICEIDA) carried out bilateral development cooperation in Iceland's partner countries on behalf of the Minister for Foreign Affairs and External Trade.

Numerous changes have occurred since the adoption of the Act. These include the establishment of a Directorate for International Development Cooperation in the Ministry (formerly Department of Development Cooperation), increased collaboration and coordination between the Ministry and ICEIDA, and with the adoption of parliamentary resolutions on a Strategy for Iceland's Development Cooperation (2011–2014 and 2013–2016) the coordination of bilateral and multilateral development cooperation has increased significantly. When compared to earlier periods, these changes may be considered significant.

Despite the changes in recent years, there is still room for improvement by taking a more holistic approach to development cooperation and it is clear that there is ample leeway to further increase coordination. By abandoning the current division more force, flexibility and coordination can be brought to the policy area. In preparation for Iceland's accession to the OECD Development Assistance Committee in 2013, a team employed by the Committee conducted a special review ¹ of Iceland's framework for international development cooperation that demonstrated Iceland's capability to join. The findings of the review were positive and noted that Iceland's development cooperation was based on a solid and professional foundation. The report contained a number of comments on issues where there was room for improvement, including in the areas of policy making, contributions and organisation. As regards the last point, it was suggested that the Icelandic authorities assess the overall organisation and arrangement of development cooperation based on how to ensure the greatest results and efficiency in the context of Iceland's size. It was also mentioned that it was important for Iceland to better coordinate both bilateral and multilateral engagements if work was to be carried out according to best practices in the field of development cooperation. The peer review team furthermore suggested that Iceland explore whether the

organisation and arrangement of Iceland's development cooperation was still suitable. It was noted that the arrangement in Iceland differed from that in DAC member states in general. In particular, it was stated that Iceland would need to decide what arrangement was most appropriate in the context of Iceland's strategy in the policy area and the importance of improving the accountability, effectiveness and efficiency of the work. It was important to keep Iceland's size as a donor in mind as well as the experiences and practices of other DAC members.²

Following the review and the recommendations therein, an independent expert, Þórir Guðmundsson, was entrusted with carrying out a review of the methodology, organisation and arrangement of the implementation of Iceland's development cooperation. He was tasked with submitting proposals and suggestions for improvements and changes if he deemed them necessary. It was noted that it was important to establish a structure built around focused policy direction, policy making and implementation on the one hand, and internal supervision and control on the other. Mr. Guðmundsson submitted his findings in July 2014, which include a number of suggestions for improvements. The report suggests that the arrangement be changed in such a way that the operations of ICEIDA would be incorporated into the Ministry which will carry out all official development cooperation for Iceland. The main finding of the report is that "the coordination of all parties working on development cooperation on behalf of the Icelandic Government should take place in one location. Only that way can the likelihood of achieving the greatest results in the most efficient manner be maximised."³

In September 2014 the Minister assigned a working group the task of drafting a bill for an amendment to Act No. 121/2008 on Iceland's Development Cooperation, that would propose that all activities of ICEIDA be incorporated into the Ministry for Foreign Affairs. The working group was further tasked with examining other suggestions put forth in the special review by DAC of Iceland's development cooperation and in the report by Þórir Guðmundsson. The Chairperson of the group was the Director General of the Directorate for Legal and Executive Affairs at the Ministry; the group also included the Director General and another representative of ICEIDA, the Director General and one employee of the Directorate for International Development Cooperation, the Director General of the Directorate for Administration and Consular Affairs, the Director of Human Resources at the Ministry and a lawyer at the Directorate for Legal and Executive Affairs.

Consultation

According to the bill, all ICEIDA projects are transferred from the Agency to the Ministry and the Agency is abolished. Employees will subsequently transfer from ICEIDA to the Ministry, which will inevitably entail changes to the daily tasks of everyone who works in the field of development cooperation at the Ministry. This change will not affect the policy, objectives or procedures of Iceland's development cooperation, cf. the more detailed discussion below.

The working group's assignment was based to a significant degree on the July 2014 report by Þórir Guðmundsson and the recommendations found therein. While preparing the report, the author talked to 179 people, including individuals in public administration in Iceland, the Ministry for Foreign Affairs, ICEIDA, academia, development cooperation directorates

and/or agencies in the other Nordic countries, Ireland as well as other countries. In drafting the bill the working group, or members thereof, conferred with various parties, including the Prime Minister's Office, the Ministry of Finance and Economic Affairs, the Auditor General, Althingi, the Association of Academics, the Union of Public Servants, DAC and states with experience of comparable organisational changes. These parties made various useful comments, including based on experiences with past institutional mergers and organisational changes in development cooperation, as well as offering guidance on issues having to do with the arrangement of various administrative components, personnel issues, audits of development cooperation, etc.

II. Objective of the Legislative Amendments

The amendments to Act No. 121/2008, with subsequent amendments, proposed in this bill, almost exclusively have to do with changes to the organisation and arrangement of Iceland's development cooperation so that all ICEIDA activities are incorporated into the Ministry for Foreign Affairs which will henceforth handle the implementation of all development cooperation for the Icelandic Government. They do not include changes to policy making or objectives as they are set out in Act No. 121/2008, with subsequent amendments, or the parliamentary resolution on a Strategy for Iceland's Development Cooperation 2013–2016. Other amendments to the Act have to do with changes in the arrangement of the Icelandic Government's development cooperation policy and the size and role of the Development Cooperation Committee.

The bill further proposes amendments to Act No. 73/2007 on the Iceland Crisis Response Unit and its Participation in International Crisis Response. The changes have to do with activities that are listed as crisis response assignments being changed to adapt to developments that have occurred in the international environment in which the Crisis Response Unit operates as well as changes in focus and implementation. Work will continue according to best practices in the field⁴ with the aim of maximising results from Iceland's efforts and to ensure the best possible use of the funds allocated to this policy area by the Icelandic Government. It will also be ensured that during and after the organisational changes implementation and monitoring will continue to follow procedures that are in accordance with best practices in the field.

Stronger link between development cooperation and other foreign affairs

Development cooperation is one of the pillars of Iceland's foreign policy and one of the largest individual policy areas handled by the Ministry. In recent years, the importance of international development cooperation has grown significantly within the Ministry. This is a reflection of both of the emphasis placed on the area by the Icelandic authorities and the importance of development cooperation internationally. The transfer of ICEIDA's operations to the Ministry ensures that all interactions with foreign states and agencies in the area of development cooperation are coordinated and in agreement with Iceland's foreign policy, and that the Icelandic authorities speak in a single voice on development cooperation matters internationally. DAC recently noted⁵ that the landscape of international development cooperation has been transformed in recent years and decades. A changed international landscape calls for a different approach to development cooperation. This applies to all

elements of the policy area; challenges, funding and implementation. The elimination of poverty, environmental protection, the fight against the effects of climate change, ensuring peace and safety, increasing the resilience of communities and the building of a fair international trade system are global challenges that require international cooperation and coordinated responses and actions based on a union of development cooperation and other areas of foreign policy.

The framework and methodology of international development cooperation has also changed. It is no longer the case that problems are located in a "South" that accepts aid from a "North" that possesses all the solutions. The focal point has shifted to cooperation between nations and the sharing of opportunities, obligations and options. It is a fact that sustainable development and the elimination of poverty increasingly depend on the solving of global problems, including war and conflict, environmental and climate challenges, a precarious financial environment, an unfair trade system and infectious diseases – problems that development cooperation is hardly equipped to solve on its own. An ever growing number of developing countries depend less on external aid and some have even become donors themselves. Development cooperation has thus increasingly become the focal point in the global conversation on political affairs.

In the report, DAC furthermore discusses the findings of peer reviews carried out for 22 member states during the period 2012–2014⁶. The findings show that a clear trend is discernible towards stronger links between development cooperation and other foreign affairs. The report states that even though the elimination of poverty still forms the core of development cooperation in these states, a growing number of them have strengthened the link between development cooperation, foreign policy and foreign trade and that many of them have formally integrated development cooperation within their respective foreign ministries. DAC also remarks that alongside these changes an increased overall coordination of work done by governments can be noted.

Synergies and efficiency

The purpose of the overall organisation of Iceland's development cooperation is to carry out the policy and objectives of the government in the most effective way possible for stakeholders. Merging the operations simplifies the organisation. A better overview of the policy area will be achieved and policy formation will become more focused when responsibility rests with a single entity. Coordination will become more robust, implementation will become more efficient and synergies from Iceland's work in the field of development cooperation will increase. Thus, it may be expected that the change will contribute to Iceland's work having more impact and achieving better results in the long term. Public administration in Iceland is small both in terms of size and the number of employees, who each have to take on varied tasks. By merging all development cooperation activities, increased momentum can be brought to the projects, as well as increased flexibility and coordination capacity and any overlap in policy development and implementation can be prevented. It also reduces inefficiencies and duplication of effort in operations and administration which leads to greater efficiency in the long run. A simpler and more focused organisation increases the likelihood of Iceland's objectives and emphasis in international

development cooperation being successful and leading to more efficient development cooperation.

The changes will create a better overview of the policy area and help ensure that Iceland's policy will be enforced. It will be easier to formulate and carry out Iceland's objectives and more opportunities will be created to realise Iceland's strategy in the policy area in a more efficient manner.

In recent years and decades a wealth of knowledge and experience of development issues has been accumulated within both ICEIDA and the Ministry. The merger will consolidate this knowledge and allow for comprehensive deliberations on the policy area. The implementation of multilateral and bilateral development cooperation will no longer be separated, but rather carried out and interwoven with Iceland's global strategy in mind.

There will be a continued emphasis on staying at the forefront when it comes to quality procedures and working methods and following the best practices in the policy area. Result-oriented management is an important part of monitoring results compared to the originally set objectives. This applies to both multilateral partnerships and collaboration with individual partner countries. The methodology of result-oriented management has been introduced into the work of the international organisations to which Iceland is a donor, and ICEIDA has also adopted the methodology in recent years. Both the Ministry and ICEIDA have placed great emphasis on tracking the results of projects and have established procedures for following up on their implementation. In conjunction with transferring ICEIDA's operations to the Ministry and the creation of a larger working structure, the goal is to strengthen and improve results-based monitoring.

It should be noted that even though the organisation, management and monitoring of development cooperation will be incorporated into to the main office in the Ministry for Foreign Affairs, bilateral development cooperation in Iceland's partner countries will continue in the same way as before. ICEIDA has done great work in the field that has not gone unnoticed and has proven itself repeatedly in independent evaluations. In this context, it should be noted that ICEIDA's methodology and role in the implementation of development projects has undergone significant changes in recent years. The implementation has increasingly been moving to local partners in Iceland's partner countries, such as regional governments. This change correlates with international declarations on aid effectiveness⁷ which emphasise local ownership in development/donor interventions.

Personnel matters

When agencies merge, professional and operational factors have to be taken into consideration as well as personnel matters. A merger necessarily entails a number of employment-related changes. From a human resources standpoint, the merger has the advantage of combining all the human capital in international development cooperation in one agency.

During the time in which the Icelandic authorities have been contributing to international development cooperation, which is a period of time spanning more than three decades, the employees of ICEIDA and the Ministry have built valuable expertise that will be greatly

strengthened by the consolidation of the operating units. It is imperative to foster the expertise of every staff member in development cooperation when merging the units, including through continuous education, and make sure it is not lost in regular staff transfers between posts.

Upon the incorporation of ICEIDA's operations into the Ministry, decisions will have to be made on what positions employees are to fill based on their education, professional experience and abilities. In preparation of this, the guiding principle will be to offer staff positions in the Ministry that are comparable to the ones they held at the agency. When assessing whether a position is comparable, the staff member's pay and benefits, duties and title are taken into consideration. The transfer of ICEIDA's operations to the Ministry means that the number of staff working in development cooperation will grow. This will inevitably call for a review of the organisation and operations of the working unit in the Ministry where the projects are based. The staff of ICEIDA will not necessarily engage in the same tasks at the Ministry that they carried out at ICEIDA, but care will be taken to ensure that they are comparable with regard to pay and benefits, duties and title, as previously noted. In the same vein, changes are to be expected in the duties of the Ministry's staff who have until now held positions in development cooperation. Such changes to the area of responsibility of government employees are authorised according to Article 19 of Act No. 70/1996 on the Rights and Duties of Government Employees, which states that an employee is obligated to accept changes in his job or area of responsibility from the time he began work. The professional titles of ICEIDA staff will be determined in accordance with their position and tasks in the Ministry within the framework applied by the Ministry for determining professional titles, which is i.a. based on Act No. 39/1971 on the Icelandic Foreign Service. Before ICEIDA will be abolished on 1 January 2016, the agency's staff members will be offered positions in the Ministry, as the case may be as Members of the Foreign Service who may be transferred to missions, according to the aforementioned Act.

The Directorate for International Development Cooperation at the Ministry for Foreign Affairs currently has a staff of 9, down from 10 in 2012. ICEIDA employs a total of 38 people; 9 in the head office in Reykjavík, 11 in the country office in Lilongwe, Malawi; 6 in the country office in Maputo, Mozambique; and 12 in the country office in Kampala, Uganda. In Lilongwe there are 2 posted employees and 9 locally hired; in Maputo 2 posted employees and 4 locally hired; and in Kampala 2 posted employees and 10 locally hired.

The number of staff at the Directorate for International Development Cooperation and ICEIDA thus totals 47. The combined number of staff members in ICEIDA's head office and at the Directorate for International Development Cooperation is currently 18, in addition to which ICEIDA has 6 employees working in the country offices.

A transitional provision in the bill states that upon incorporation of ICEIDA's operations into the Ministry, all ICEIDA staff will be offered positions in the Ministry. The transitional provision further proposes an exemption from the obligation to publicise vacant positions according to Article 7 of Act No. 70/1996. This is to ensure that ICEIDA staff members are given priority consideration for the jobs that will move to the Ministry when the operations are transferred. This is the most common method of handling personnel changes resulting from government agency mergers.

If an employee accepts an offer of a position that is comparable with regard to pay and benefits, duties and title, severance is not paid cf. Article 34 of Act No. 70/1996. An employee who declines an offer of a comparable position is not eligible for severance payments either. If an employee is not offered a comparable position with regard to pay and benefits, duties and title, an employee who started working for the government before 1 July 1996 may be eligible for severance payments according to the aforementioned Act. Employees who started working after the abovementioned date are entitled to their salaries during the period of notice pursuant to general rules.