Finland

Development policy towards 2015: downhill ODA

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Overview

- Finland's development cooperation is guided by a Development Policy Program (2012), which emphasizes a human rights-based approach to development.
- Finland will not achieve the UN goal of 0.7% by 2015. Instead, annual ODA cuts between €50 million and €100 million (US$65 million to US$130 million) are budgeted for 2015-2018. Estimated performance for 2015 is 0.48 % of gross national income (GNI).
- Most of bilateral cooperation is implemented through country programs in long-term partner countries – Ethiopia, Kenya, Mozambique, Nepal, Zambia and Tanzania. Finland is withdrawing from Nicaragua, shifting into new modalities with Vietnam, and increasing cooperation with Myanmar.
- There is an increased emphasis on fragile states, notable allocations to Afghanistan, Somalia and South Sudan.
- There is also more emphasis on private sector cooperation. Issues relating to tax evasion and corporate responsibility are topical, but more policy coherence for development is needed in practice.

Current policy and discussion

Finland pursues a human rights-based approach to development through the guidelines established by its Development Policy Programme, adopted in 2012. There are four priority areas in development cooperation and policy: 1) A democratic and accountable society that promotes human rights; 2) An inclusive green economy that promotes employment; 3) Sustainable natural resources management and environmental protection; and 4) Human development. Gender equality, climate sustainability and reducing inequality are seen as crosscutting objectives, which should be part of all activities. Principles of effectiveness, coherence, openness, transparency, ownership and accountability guide development cooperation. Alongside the Millennium Development Goals (MDGs), the programme builds on aid effectiveness commitments made in the 2005 Paris Declaration, the 2008 Accra Agenda for Action and the 2011 Busan Partnership.[1]

The emphasis on human rights is not new to Finnish development policy, but is still a significant step away from the previous government's export-driven thinking. Overall, this new policy alignment was well received in 2012. Minister Heidi Hautala (the Green League) and her staff were given positive feedback, especially for the participatory manner in which the programme was prepared. CSOs were particularly happy to see a Human Rights-Based Approach (HRBA) as the guiding star, and many other key CSO asks, such as democratic ownership and policy coherence, included as principles. After the disappointment for CSOs in the modest advances on development effectiveness globally in Busan, it seemed as if at least Finland among other Nordic countries was doing the right thing.

Development policy and cooperation are not given a lot of public attention in Finland. Usually, only cases with corruption and misuse of funds reach the news, and coverage has been marginal. Even the large ODA budget cuts of recent years have not made headlines in major media channels. No loud protests have been organized; even the CSOs have somewhat accepted the harsh reality.

For several years, approximately four out of five Finns have expressed their support for development cooperation. In 2014, 82 % thought development cooperation to be important.[2] Despite this wide public support, it seems that for politicians ODA is an acceptable and easy budget to cut. The economic crisis gives an excuse for decreasing budgets for programmes to "others than Finns." The populist Finns Party recently proposed ODA funds to be covered by a voluntary tax with only some stimulus support from the government budget.

As a measure of transparency and a response to persistent perceptions of misuse of ODA in development projects, the Ministry for Foreign Affairs recently introduced a "corruption button" on its website. This button is a tool for anyone to report possible corruption. Instead of a focus on effectiveness and results, the development professional-public dialogue still tends to concentrate on tracing whether every euro given is received and used by whom it was intended. Governments and professionals alike have not successfully communicated the important initiatives and outcomes from the international development effectiveness process.

If development cooperation as such is not gaining attention, public discussion on some wider global governance-related issues, such as tax evasion and tax havens, has intensified recently. The importance of assisting developing countries to improve their tax systems is acknowledged in the Development Policy Programme. The Programme calls for global action to prevent tax evasion and curb illicit capital flight and lists actions to be taken in order to close tax havens. These include the improvement of the exchange of tax information between states, the development of international standards pertaining to the maintenance of accounting records, and increasing and making more stringent the reporting obligation of companies and the exchange of information between jurisdictions. International financial transaction taxes are suggested as an example of policies to stabilize the global market as well as provide further finance for development and climate efforts.

Despite these commitments, policy and practice do not fully coincide when tackling tax-related capital flight. According to Kepa, improved policy coherence is needed, as the Ministry of Employment and Economy and the Ministry of Finance do not take developing country interests into account systematically enough when drafting Finland's positions for global fora. Some steps forward have been taken, including: preparation of a joint action plan of ministries on tackling international tax evasion; ensuring that CSOs are heard more often in policy processes, establishment of a policy banning tax haven investments for the Finnish Development Finance Institute (Finnfund), and financial support for the Tax Justice Network's work on transfer pricing between Finland and Tanzania.[3]

Cooperation with the private sector has also gained a lot of attention in Finland's recent development policy dialogue. The role of Finnish companies in development cooperation has been increasingly important for both the current and previous government, and the economic crisis has clearly underlined these approaches. The 2011 government program states that Finland will support projects for the enhancement of international norms and rules concerning corporate responsibility, and will promote better observance of corporate responsibility in government economic policy and public procurement. The program also sets a goal to place Finnish companies as forerunners in corporate responsibility matters.[4] However, recurring cases of Finnish companies operating in an irresponsible manner in the global South clearly demonstrate the problem of the voluntary nature of corporate responsibility measures and the lack of policy coherence for development.

Even though some progress has been made on issues such as corporate responsibility or sustainable development impacts, public discussion still revolves mainly around the interests and needs of the Finnish companies. The latest embodiment of this theme is the Team Finland network, consisting of the Ministry of Employment and the Economy, the Ministry for Foreign Affairs and the Ministry of Education and Culture, publicly funded bodies and Finnish offices abroad. As the network's main objective is to promote Finland and its interests abroad, it has been criticized for being yet another initiative focused solely on export promotion.

Policy in practice: Centralization and human rights

Finland implements its development policy through bilateral, multilateral and regional cooperation, humanitarian assistance, the EU, and through CSOs and the private sector. Multilateral and bilateral cooperation receive the largest share, with CSO funding coming in third, and humanitarian aid fourth. In 2012, 33% of ODA was disbursed for multilateral cooperation, and 31 % for bilateral assistance. CSOs received 12 % and humanitarian aid 11 % of ODA.[5]

In order to decrease fragmentation, a new results-based approach has been introduced in the Ministry for Foreign Affairs, and the number of partners has been reduced. Finland's long-term partnerships give a good indication of policy in practice. Geographically, Finland's development cooperation focuses on the Least Developed Countries (LDCs) in Africa and Asia. The long-term partner countries — Ethiopia, Kenya, Mozambique, Nepal, Zambia and Tanzania — receive most of Finland's development cooperation. Each of these countries has a country strategy, which has been elaborated together with Finland, defining areas of joint cooperation and indicators to monitor the effectiveness of the efforts.

Vietnam had been one of the long-term partners, but since the country rose from an LDC to lower-middle income status, Finnish development cooperation will gradually shift into new modalities. A new partner from Asia has emerged, as Finland's cooperation with Myanmar will grow. According to the Ministry of Foreign Affairs, Finland plans to raise its funds to Myanmar from the current €3 million (US$4 million) to €16 million (US$20 million) by 2016 in order to support the country's evolution towards democracy.

Finland's withdrawal from Nicaragua is perhaps one of the most concrete examples of the HRBA policy being implemented in practice. Along with the new programme in 2012, Finland announced that it would stop bilateral cooperation with Nicaragua. Budget support had already been suspended. The decision to withdraw was partly based on the move to concentrate on LDCs in Africa and Asia, but also due to the growing concern over the human rights situation in Nicaragua.[6] The decision was praised for being a bold sign that Finland would not tolerate human rights offenses and act according to its principles. On the other hand, similar questions were asked about other partner countries, such as Ethiopia where human rights violations clearly occur and civil society is not fully free to operate. Criticism was also voiced for the possible negative effects the withdrawal might have on CSOs' work in the country. The government of Nicaragua was obviously not happy. Now, cooperation continues through initiatives at the regional level and through CSO cooperation.

One of the most recent shifts in Finland's development policy and cooperation has been the growing focus on fragile states. The specific needs of fragile states were identified and given emphasis in the Development Policy Programme, as well as by the current Minister for International Development, Pekka Haavisto (the Green League). Mr. Haavisto has a long background in conflict resolution and peace mediation, having worked for example as the special representative of the European Union in Sudan where he participated in the Darfur peace talks. Finland has established a long-term commitment to Afghanistan, and allocations to Palestinian territories, Somalia and South Sudan have been substantial compared to previous years. During the last few years, Finland's ODA to Somalia and Afghanistan has doubled. In 2014 Afghanistan is the fourth largest bilateral recipient of Finnish ODA and in 2015 it will be third, right after Tanzania and Mozambique.[7]

The 0.7% goal by 2015: Promises not kept

Finland has not fully kept its promises in its commitment to contribute to eradicating poverty. Despite commitments made in the United Nations and the European Union, Finland will not achieve the goal of directing 0.7% of its GNI to ODA. The current government program states, "The Government's goal is to ensure stable development of appropriations, leading to the target level 0.7% share of GNI and meeting Finland's international commitments."[8]

Reaching 0.7% has also been confirmed as Finland's goal in the annual budget frame proposals of the Ministry for Finance, but since 2011 the target year of 2015 has been ignored.[9] The recent Government Report on Development Policy also states clearly that Finland still pursues a steady growth towards 0.7%. A hint of guilt might be found in the next sentence, where an aspiration to maintain a reputation as a responsible long-term partner is expressed.[10]

The failure to achieve 0.7% has not been a surprise. First, in 2012 the government decided to freeze ODA funds for 2013-2015 at its 2012-euro level. In 2013, cuts were budgeted for the 2015-2017 period: €59 million (US$76 million) for 2015, €30.5 million (US$39.5 million) for 2016, and €32 million (US$41 million) for 2017. In addition to the 2013 cuts, additional cuts were budgeted in 2014. This year, the government decided to decrease ODA by €50 million to €100 million annually during 2015-2018 period.[11] This means that Finland's ODA share of GNI will most likely be approximately 0.48% in 2015.[12]

In 2014 Finland's funds for actual development cooperation are €879.4 million (US$1,140 million) (with overall appropriations €1,102.6 million (US$1,428 million)), equalling a GNI share of 0.55%.[13] For 2015, the proposed budget is €788.2 million (US$1,020 million). In practice, even less is left for non-climate development cooperation, since instead of providing "new and additional" climate finance, Finland counts climate finance as part of its ODA. The budget proposal for 2015 estimates that €87.7 million (US$114 million) of ODA will be counted as climate finance.[14] An important key financing demand of Finnish development CSOs is to stop counting climate finance as part of ODA.

Interestingly, CSO funding is a sector that was not touched by the budget cuts, which will stay at the 2014-euro level for 2015. CSOs will increase their share of ODA to 14.5%, as overall funds are cut. In 2014, the share is approximately 13%. The decision to safeguard CSO funding has received understandable appreciation from Finnish development organizations, which through the umbrella organization Kepa have campaigned for a share of 15% for years.[15] On the other hand, the goal has been achieved through overall budget cuts.

In 2013, a decision was made to direct all income from the European emission-trading scheme to ODA. This allocation was explained as a compensatory measure for the ODA budget cuts, even though it was quite evident from the start that not enough would be acquired. In 2013 the income was €54.8 million (US$70 million).

Using the emission-trading income to patch the hole in ODA has been critiqued as an unpredictable tool, whereas development financing should be predictable and steady to ensure effectiveness. The emission prices vary and thus income, and political earmarking does not guarantee future use of the funds for development and climate efforts. The government has also been criticized for replacing cuts in its ODA, which is public responsibility, with a market-driven mechanism, and thus giving legitimacy for future cuts. Still, however insufficient and controversial, directing the emission-trading income to ODA has been one of the few efforts to initiate a new funding mechanism for development and climate finance.

Future challenges

In its 2013 annual review of Finland's development policy, the Development Policy Committee — a multi-stakeholder advisory body appointed by the Government — concludes that Finland is off to a good start in its implementation of HRBA. The review notes that the new approach is well written in all the policies and guidelines to inform general directions for the Programme. However, it suggests that more detailed discussion and practical guidelines are needed. The Committee also highlights the importance of developing monitoring and reporting tools to better measure the impact of Finland's HRBA policy in practice. Some of the recommended prerequisites for successful implementation at the country level include HRBA-grounded country analysis, better coordination and cooperation with like-minded donor countries, and more dialogue and cooperation with local civil society.[16]

Strategic influence in multilateral organizations and development banks is an effective way of implementing the development policy. Finland currently holds a board position in both the World Bank and African Development Bank. International policy processes are important as well. Within the UN post-2015 process to establish sustainable development goals, Finland has been co-chairing the Expert Committee on Sustainable Development Financing. The board positions and chairmanships provide valuable opportunities for Finland to implement its development policy and promote the human rights-based approach.

Nevertheless, one of the biggest obstacles for implementation of Finland's development policy lies in the lack of policy coherence. The issue is raised in the 2012 OECD-DAC peer review of Finland's development cooperation,[17] and in the 2013 and 2014 annual reviews of the Development Policy Committee.[18] It is also brought forward as an issue in Kepa's mid-term review of the government's development policy and in the government's own report on development policy.[19] In the recent report, the government renews its commitment to enhance policy coherence for development, for example, by increasing training and inter-ministerial dialogue.[20] Increasing policy coherence for development in issues relating to corporate responsibility, tax policies and other private sector cooperation will be a major challenge for the next government.

A new government will be formed after the spring 2015 parliamentary election, which most probably will bring changes to the Finnish development policy. The recent polls predict a centre-right or centre led government, but the populist party might also gain more support than expected, as has happened in previous elections.[21] Either way, it is unlikely that the next government will increase Finland's ODA. Finding other sources of development financing and intensifying efforts on taxation and climate policies will become even more important. Whether the next government will continue to concentrate on human rights and make a greater effort to build on recommendations arising from the implementation of the current Development Policy Programme remains to be seen.

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Endnotes

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