

Statement of the Development Policy Committee:

Development cooperation requires a funding model extending beyond the current government term

The Government's budget proposal for next year would add EUR 32.4 million to the exclusive ODA administered by the Ministry for Foreign Affairs of Finland. This increase is estimated to raise the level of funding from 0.39 per cent (2017) to 0.41 per cent of the country's gross national income (GNI). Although the budget appropriations are set to increase slightly, the economy is growing at a faster pace by comparison, and the proportion of the GNI used for development cooperation is expected to drop back down to less than 0.40 per cent in the coming years. Finland will thus remain very far from the 0.7 per cent target set in the international commitments it has made as a member of the UN, the OECD and the European Union. The same 0.7 per cent target is an integral part of implementing the UN's 2030 Agenda for Sustainable Development, which Finland aims to promote as an example to the rest of the world.

In its new budget proposal, however, the Government promises that the 0.7 per cent goal will be achieved "in the long term". The Development Policy Committee has already criticised the use of this wording in the Government Programme. According to the Development Policy Committee, a vague promise is not enough if Finland wants to take the lead in sustainable development. The OECD's Development Assistance Committee has been asking Finland for years to implement a plan to rectify the situation. The matter is now also under parliamentary scrutiny, as Parliament is monitoring the development of funding as part of the implementation of the 2030 Agenda for Sustainable Development. The Development Policy Committee's view is that Finland must achieve the target level of 0.7 per cent of its GNI during the next two government terms at the latest.

"Solving global problems also requires action from Finland. For this reason, Finland urgently needs a reliable plan, extending beyond the current government term, to increase development cooperation funding to 0.7 per cent of the GNI. The next government must begin implementing the plan in its own government programme without delay," stresses Member of Parliament Ailla Paloniemi (Centre Party), Chair of the Development Policy Committee.

In practice, achieving the target level of 0.7 per cent of the GNI may require a one-time increase of EUR 200 million in 2020 and subsequent annual increases of EUR 128 million until 2028.¹ The larger one-time increase (EUR 200 million) would compensate for cuts made to grants during the current government term (EUR 330 million/year). Development policy investments in the form of loans and capital must also remain at an annual level of around EUR 130 million. The Development Policy Committee considers it vital to channel income acquired from emissions trading, currently allocated for industry support, back to development cooperation. This was done in 2012–2015. In 2014, for instance, EUR 69 million in income acquired from emissions trading was channelled to development cooperation. Because of the significant reductions to climate finance and particularly to funding for developing countries' adaptation to climate change, the gap must be covered with income from emissions trading. Another central question concerns returns on development policy investments and where to direct them. In the Development Policy Committee's view, development cooperation should be the target.

¹ The estimate is based on figures submitted by the Ministry for Foreign Affairs to the Development Policy Committee on 12 October 2018.

Several countries that provide humanitarian assistance count the expenses generated by refugee reception as part of their development contributions and in their development cooperation statistics. In line with an earlier practice of the OECD, the costs of the first year in the country of asylum seekers who receive a favourable decision could be entered as part of development cooperation. This practice was changed in 2017 so that the costs associated with asylum seekers whose applications are refused can also be entered under development cooperation. Finland will adopt this new practice in 2019. The Development Policy Committee stresses that the transparency of statistics is now more important than ever, and that statistics must clearly indicate the resources used for development cooperation actually taking place in developing countries, the funding used by various operators and administrative branches and the costs associated with refugees in Finland. The costs associated with refugees must not be counted as a substitute for grant-based development assistance.

The Development Policy Committee emphasises that the financing plan extending beyond the current government term is more than just an exercise in calculation: the commitment to the 0.7 per cent path must be made according to the goals and focus areas of development policy and in line with the principles of the 2030 Agenda. In addition to the overall financing, it is integral to look into where funds are being directed. Finland has already committed to directing at least 0.2 per cent of its GNI to the least developed countries. In this respect, too, Finland is moving disconcertingly far from its target. The proportion of development assistance Finland channels to the least developed countries is currently only 0.13 per cent.

“The new way of calculating costs associated with refugees is problematic. The target of appropriating 0.7 per cent of the GNI to development cooperation must be achieved by increasing the amount of actual grant-based aid and channelling it to the poorest and most vulnerable people,” explains Member of Parliament Hanna Sarkinen (Left Alliance), 1st Vice-Chair of the Development Policy Committee.

In the Development Policy Committee’s view, implementing a financing model extending beyond the current government term requires a more long-term development policy strategy. The Development Policy Committee will prepare a model for establishing the strategy in spring 2019. The priorities, results and verified effectiveness of development policy must be more clearly visible in the allocation of funding. Care must also be taken to ensure consistency in activities and in the use of different forms of financing. For this reason, methods of evaluating the effectiveness of development cooperation should continue to be developed from the perspective of social, environmental and economic impact. It is particularly important to ensure that development policy investments support the goals of Finland’s Tax and Development action programme, including transparency of ownership and country-specific tax information. Development policy investments must also do their part to strengthen gender equality, environmental sustainability and the principles of corporate social responsibility.

The form of financing also matters, because not all types of financing are in line with promoting the goals and principles of the 2030 Agenda for Sustainable Development. Responsible development policy investments are necessary for climate action and increased renewable energy use, business activities and jobs, or to support the public sector in developing countries through partnership loans. Grant-based aid enables us to support the development of democracy and the rule of law and to improve the position and rights of the most vulnerable people, particularly those living in fragile conditions and in the poorest countries in the world. For example, the overarching principle of the 2030 Agenda for Sustainable Development, “no-one left behind”, cannot be supported without increasing grant-based development assistance. At the same time, eradicating poverty and improving employment in developing countries also requires private investments and

development funding to support them. Financing private investments in poor countries requires well-functioning and internationally competitive investment-based development financing instruments.

“The long-term financing model must take into account the various objectives and tasks of development policy. We must also make sure that grant-based aid and development policy investments support and complement one another consistently,” emphasises Member of Parliament Saara-Sofia Sirén (National Coalition Party), 2nd Vice-Chair of the Development Policy Committee.

Recommendations of the Development Policy Committee

- *Finland’s development appropriations must achieve the target level of 0.7 per cent of its GNI during the next two government terms at the latest. Finland must act quickly to implement a reliable long-term plan, extending beyond the current government term, to increase the appropriations for development cooperation to the target level of 0.7 per cent of its GNI. At least 0.2 per cent of Finland’s development assistance must be channelled to the least developed countries. The next government must begin implementing the plan in its own government programme without delay.*
- *Income acquired from emissions trading and financial investment returns must be channelled to development cooperation and climate financing.²*
- *Statistics must clearly indicate the resources used for development cooperation actually taking place in developing countries, the funding used by various operators and administrative branches and the costs associated with refugees in Finland. The costs associated with refugees must not be counted as a substitute for grant-based development assistance.*
- *In addition to the amount of financing, the financing plan extending beyond the current government term must also increase the proportion of grant-based aid. Attention must also be paid to ensuring that the different forms of financing are used consistently and in ways that complement one another in accordance with the goals and principles of Agenda2030 and the priorities of development policy.*

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The Development Policy Committee is the only body monitoring and evaluating Finnish development cooperation and policy on a systematic and broad basis. The Government appoints the Development Policy Committee for each government term. Its members include representatives of parliamentary parties, advocacy organisations, NGOs and universities in the UniPID network.

² *The Confederation of Finnish Industries, a Development Policy Committee member, does not support channelling the income acquired from emissions trading to development cooperation. Instead, the Confederation of Finnish Industries feels that the returns gained from development policy investments should be channelled towards increasing investment-based development funding.*