

Development policy at a turning point

The state of Finland's development policy in 2015



DEVELOPMENT POLICY COMMITTEE



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Foreword

Development policy at a crossroads



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Finns have long since had a very positive attitude towards development cooperation. As we now move from one government term to another, it seems we are entering a transition period and what the end result will be is still unknown.

First of all, there is a growing interest from citizens to know what kind of impact our work has. This is due not only to a general tightening of one's own purse strings but also to the general rise in a critical way of thinking. The only way to respond to this criticism is to clearly inform what actions we have taken and what has been achieved. A clear analysis of why change in our partner countries is challenging despite our best efforts also needs to be presented.

The keys to development are by no means always in the hands of the developing countries themselves. For this reason, the factors influencing development have to be holistically examined. Finland is being steered in this direction by the UN's sustainable development agenda and new development goals, which are more far reaching than present development policy and also apply to developed countries. We are now at an international turning point.

Secondly, awareness has grown of how cash and commodities flow internationally. Too much ends up with us at the end of the value chain. Similarly, the benefits of those who cannot stand up for themselves are meagre. This awareness has seized both those active in development cooperation and those who are critical towards it. The most critical statements have probably come from the long-term actors in the field.

The third theme, which is perhaps again on the agenda, is that of the role of the private sector and business in development policy. Certain Nordic actors have grasped this more strongly than us. To get development going, processes, which have a positive influence on both the recipients of aid and the countries contributing resources need to be continued with the actions and energy of private companies.

The Development Policy Programme for the government and now ending parliamentary terms had many good goals. A problem that arose on the way was that the level of resources and people assigned to the work proved to be insufficient. There is always reason to encourage and even thank those government employees, citizens and field workers who are dedicated to their work.

For the next government term, it would be worthwhile to ask some questions as they do in school:

- Does the work and decisions made by Finland support those issues that really have an effect on development?
- Are we doing what we really are good at?
- Are our words and deeds coming from the same source and in a coherent order?
- Are we trying to change things that are not going to change and are we passive about things where we could at least start a change process?
- Are we doing what the financiers of our client relationships, i.e. taxpayers, are ready to still do five years from now when they have received our report on how the resources have been used and how effective our actions have been?

At a crossroads, we can walk in the direction where our work has an impact, satisfaction grows both globally and in Finland, and where awareness, a sense of community and respect for each other become stronger.

As our term is coming to an end and on behalf of the Development Policy Committee, I would like to express my heartfelt thanks to all of you who are active in development cooperation and who are the experts of our very challenging field. Let our work continue.

Jouko Jääskeläinen

Chairman of the Development Policy Committee
Member of Parliament (Christian Democrats)

Summary

The State of Finland's Development Policy in 2015: Development policy at a turning point – the report evaluates the present government term and the development policy implemented during that time. At the same time, it ponders on the future of development policy and the work that has to be done as a part of the comprehensive change required by sustainable development.

According to the Development Policy Committee (DPC), a development policy that changes with each government term does not serve the long-term objectives of development policy, nor does it offer sufficient steering to reach those objectives. For this reason, it is important that the main goals of development policy – the reduction of poverty and inequality and the promotion of sustainable development – as well as the values operating principles and cross-cutting objectives of development policy need to be established in a more permanent form, such as a law on development cooperation.

The DPC therefore proposes that at the start of the next government period a statement should be given by the prime minister that ensures the continuity of the main elements of development policy and acts as the preparatory phase for a possible law on development cooperation. The purpose of the change is to sharpen up development policy steering making it more effective and target it at defining concrete intermediate goals, resources and focus areas for operations.

The human rights-based approach which has risen as the leading idea in development policy during this government term should be maintained and included in the long-term elements of Finland's development policy. The implementation of the human rights-based approach has required taking on a new way of thinking and acting. Its benefits will, however, only become apparent later. Through the human rights-based approach, development policy becomes one of

the actors promoting national and international monitoring of human rights and democracy, the rule of law as well as strengthening civil society. It also acts as a guideline for foreign and security policy as well as for external economic relations. The challenge lies in applying the human rights-based approach coherently in practice.

Despite the promises made in the government programme, development policy funding has continuously been reduced. Directing the income from emissions trading to development and climate funding has somewhat made up for the cuts that have been made, but it is an insufficient and unreliable source of income. Finland should publish a clear timetable and plan on how development and climate funding commitments are to be met.

The promises in the government programme and the areas of focus of the development policy programme cannot be clearly seen in the allocation of development cooperation funding. The funding for multilateral cooperation and non-governmental organisations (NGOs) has been on the rise, but support for the private sector and the development of new forms of cooperation has remained less than expected.

A rapidly changing world challenges development policy, but this challenge is one for the whole of Finland. We have to respond to the challenge with an ambitious sustainable development agenda and targets which apply to all social, economic, security and environmental policy sectors. Of these, the report examines in detail the challenges and opportunities in foreign and security policy as well as external economic relations.

The worldwide agenda of sustainable development requires ever stronger political direction from the next government as well as efforts that transcend traditional boundaries between operators and remits. Finland's initiatives in food security and taxation questions are a promising step towards a new operating culture.

The transformation of development policy

Development policy is a topic that leaves no one cold. Rarely does any issue arouse such strong opinions and emotions as development aid and cooperation. Still, development policy is fundamentally about simple and very concrete matters: how do we, as a country, act and influence the growing development challenges in a world where 1.2 billion people still live under the poverty line and where earth's carrying capacity limits have partly already been exceeded? Global challenges, such as climate change, population growth, insufficient food security, unsustainable consumption and inequality do not respect national borders. International production chains and the decisions made in the global economy determine not only the future of the world's poorest countries but affect us also. Furthermore, the world's security situation has become more and more uncertain with the increase in different kinds of armed conflict and the blurring of international rules. No nation is separate from the rest of the world, Finland neither. For this reason, we need a new, holistic way of political thinking. Countries such as Finland, which have both resources and expertise, can influence matters in such a way that would be mutually beneficial.

Significant achievements have been made in development questions over the last few years. The share of people living in extreme poverty has fallen from 40 to 20 per cent in the last 25 years. The availability of clean drinking water has improved significantly. An even greater number of children live to be over five years of age and attend school. Even the HIV epidemic is now on the decrease. Positive news such as this fosters the belief that we can make a difference. Development aid has an important role in this, but it is not enough alone.

In spite of the efforts of the international community, these achievements remain quite modest and are not necessarily sustainable. Positive

development has been uneven and more vulnerable than before. The world's poorest countries are in the worst position and the most vulnerable groups are found particularly in Sub-Saharan Africa. We often forget that development does not progress in one direction only. One unfortunate turn of fate – be it a natural disaster, a violent conflict or economic crisis – can nullify all the positive efforts made. At the same time, increasing population and the corresponding weakening of food security is a problem that needs to be resolved without delay. This needs an even more holistic and comprehensive path of sustainable development. In addition to social and economic development, it should cover also security and environmental dimensions worldwide.

The geography of poverty has also changed. The traditional way of thinking was that the poorest countries were the primary targets of development policy. Nowadays, the majority of the poorest sections of the population live in middle-income countries where the economic growth typically benefits only a few. This does not build up local know-how nor promote a socially sustainable economy. Of Finland's main partner countries, Zambia, Kenya and Vietnam are rising, or have risen, from the group of poorest countries to the very varied group of middle-income countries where cooperation between states declines and the emphasis moves towards the private sector. Still, providing social security and basic services for everyone is still a central task of the state. This is the subject of lively debate internationally both in relation to development cooperation and the strengthening of the national funding base of developing countries.

Our least developed partner countries, such as Mozambique, Tanzania and Ethiopia, still need development aid to support and speed up development. It is also estimated that by 2030 the majority of the world's poorest people will live in

Sub-Saharan Africa. In addition, those countries classified as vulnerable states need special attention. They have to be supported comprehensively and it is important to use methods that take into account each country's special traits. Using development policy, comprehensive foreign and security policy as well as external economic relations, Finland should be able to respond to the changing needs and different operating environments in both the poorest and middle-income partner countries.

The tasks to be tackled with development policy are not decreasing, but instead ever intensifying challenges require new ways and methods of working together. The most crucial of these are those concerning the reduction of poverty and inequality worldwide, as well as halting unsustainable development. For Finland, the task is both a national and an international one. In this respect, development policy differs from other policy areas as it is implemented with a variety of very different partners and as part of the international community. At the same time, the goals, resources and results of development policy must be such that they can be presented and justified to domestic audiences even more clearly than before.

Development policy is often seen through its most concrete form, the development aid. Development aid is important, but insufficient from a comprehensive point of view. In development policy, if anywhere, everything is interconnected. For this reason, all activity must also be coherent in relation to development goals. Policy coherence is both a goal in itself and a method of making sustainable development possible. Hence, we need sustainable security, economic, tax, trade, climate, immigration and energy policies at home, in our partner countries and in the multilateral system.

The purpose of development policy is to reduce poverty and inequality in a sustainable manner. It is a reciprocal relationship from which both parties can benefit and learn from. The experience and understanding of the operating environments of developing countries gained through development cooperation has to be utilised more widely than at present in Finland's economic relations and cooperation in other sectors (export of education, cleantech and sustainable food production). An increasingly equitable, stable and envi-

ronmentally sustainable world also benefits Finland in many ways. The long-term objective is to make development aid unneeded, but this requires determination and concrete changes.

Finland is not alone with these questions; the international stage is also at a turning point. The UN is now negotiating sustainable development goals beyond the year 2015. The aim of the negotiations is a new, universal development agenda by next autumn. What is new is that the agenda for sustainable development applies to all the world's countries and developed countries will receive even more comprehensive obligations. Reaching the goals requires checking resources, reinforcing and then redirecting them, as well as political will, cooperation and partnerships over national, actors and sectoral boundaries.

The starting point of this report is that the sweeping changes taking place worldwide and the UN's new development agenda require us to look at things from new perspectives. During the present government term, the human rights-based approach, the policy coherence and the national reinforcement of sustainable development, as well as the new developing country business initiatives are already signs of the changes happening in the field of development policy. The direction in which Finland will commit itself to in its development policy will be decided during the next government term.

The purpose of the report is to present the Development Policy Committee's (DPC) overall assessment of the present government term's development policy and to provide tools for the coming years. In contrast to earlier thematic annual reports, this year's report looks further into the future and concentrates on crucial development policy changes and offers the DPC's stance on them.

The report is divided into two main parts. In the first part, we will examine the government programme's commitments and results. As a part of this, we will also assess how the Government's Development Policy Programme's (KEPO) focus areas have affected the implementation of Finnish development cooperation. The second part of the report focuses on pondering future directions in development and on how Finland should prepare for them in practice.





Assessment of the current government term:

Human rights rose to the centre of development policy

The broad guidelines for development policy for the following four-year term are set in the government programme. The government programme defines the main targets of development policy and enables the state to steer development policy activities. It also gives authorisation to draft the Development Policy Programme (KEPO), which is approved by the whole Government. The Development Policy Programme bridges together the general goals laid down in the government programme and the steps taken in practice to achieve them. The programme defines the procedures, goals and principles that Finland will commit to during the government term. At best, it is a tool for good governance and political steering, which helps government employees and other actors in development policy to recognise the goals and how they are to be achieved.

During the present government term, Finland's development policy will be particularly remembered for bringing human rights to the core of development cooperation as well as raising democratic and responsible society even more strongly to the agenda, even though human rights are not a completely new thing in Finland's development policy. The difference to the previous government's development policy was most apparent in these points of emphasis. KEPO is personified in the development minister. This term, the development minister's portfolio was carried by Heidi Hautala (Greens), Pekka Haavisto (Greens) and Sirpa Paatero (SDP) who, in addition to development work, their portfolio included matters concerning state ownership. Indeed, apart from the minister, there were other factors steering devel-

opment policy, such as Finland's international commitments (e.g. in the UN, EU or OECD) as well as the changes taking place in partner countries and in the world. These changes do not follow the cycle of government terms.

Finland is committed to long-term development work within themes that are central to Finland (such as equality, democracy, education, food safety, forests, water and sanitation). This long-term thinking should continue from one government term to another, including also KEPO's commitment to values and human rights-based thinking. In addition, the emphasis on human rights is in harmony with the forthcoming Post-2015 agenda and its efforts to reduce inequality. Also, several country-specific projects do not run concurrently with the Finnish Government's four-year term.

As is the case with policy programmes, both the government programme and KEPO include promises and guidelines and now, at the end of the government's term, it is an opportune moment to evaluate their realisation. In this chapter, we go through the most crucial of these by comparing the promises of the government programme and KEPO for their realisation. We will start with the broad guidelines, i.e. what, according to the government programme, should development policy be and how these lines have been modified in KEPO to fit development policy in practice. From here we move on to assess the resources of development cooperation and their allocation. The effectiveness and strengths of Finland's development policy are third on the list. The section, "Policy coherence for development: the most important resource of the future" links the current

government term to the chapter, “The future of development policy and its tasks”.

Broad guidelines:

The government programme and KEPO show the way for development policy

The present government term’s 2011–2015 programme defined development policy as a part of comprehensive foreign and security policy. Its main objectives were the reduction of poverty and the attainment of the UN’s Millennium Development Goals. In addition, the government promised to reform development policy to better meet the needs of the future. According to the government programme, the development of the rule of law, democracy, human rights and sustainable development are the foundation on which development policy should be built and which should be emphasised in development cooperation. In addition, the government programme named education, decent work, reduction of youth unemployment, as well as improvement in the position of women and children as Finland’s special areas of focus.

Reaching goals with human rights

The Development Policy Programme drawn up under the auspices of Minister Hautala (6 March 2012) was prepared on the general lines of the government programme in an exceptionally participative and open way. A vast array of parties participated from civil society, business, research and different administrative branches. However, part of the representatives of the private sector felt that KEPO did not reflect their views sufficiently.

Still, the result was a comprehensive consensus of what Finnish development policy should be. It activated and engaged different parties for the official development policy programme. At the same time, the nature of the policy programme changed into a value-based manifesto emphasising development policy principles rather than its operationalization.

During the preparation process, the government programme’s goal to reduce poverty and the UN’s Millennium Development Goals crystallised in KEPO into reinforcing the position of the poor and the absolute reduction of inequality and poverty. In contrast with earlier develop-

ment policy programmes built around the needs of poor countries and people, the human rights-based approach was elevated to the core idea in KEPO. The new approach was to have an effect on all procedures in Finland’s development policy and to steer them in the same direction as the human-rights based approach. These procedures were defined as follows: democratic ownership of developing countries, responsibility, openness, effectiveness, coherence and concentration. At the same time, gender equality, the promotion of climate sustainability and reduction of inequality were named cross-cutting objectives.

Particularising the government programme, KEPO defined the following four focus areas for development policy: a democratic and responsible society promoting human rights, a participative and job-creating green economy, and sustainable management of natural resources and protection of the environment as well as human development. To achieve these goals, special actions were committed to in KEPO. Of these, the main ones include the human rights-based approach in all activities, the improvement of the effectiveness and efficiency of operations, enhancement and strategically allocating advocacy work in development policy, strengthening policy coherence for development, development of practices and renewing tools to achieve the cross-cutting objectives.

The DPC’s assessment:

Moving to a human rights-based approach was a big change

Implementing the government programme was a challenge

From the point of view of development policy, the form of the government programme was challenging. It started from broad themes, which were at the same time value-based principles of comprehensive foreign policy as well as the higher goals of development cooperation (development of rule of law, democracy, human rights and sustainable development). Instead, the priorities named in the government programme (such as education) cannot be directly interpreted from the themes, even though they should serve these broad objectives, too. This blurred the drafting of KEPO and made it difficult to translate it into

practical guidelines for development cooperation. On the other hand, the development of the rule of law, democracy, human rights and sustainable development are also by their nature the basic values of Finnish society. Finland is already committed to these goals as it has approved the UN's Millennium Declaration (2000) and the EU's Treaty of Lisbon (2009). Furthermore, the change is in line with the UN Declaration of Human Rights, which in fact KEPO directly quotes. The areas of focus reflect those issues which are important to Finns and which we want to promote worldwide. It is not however immediately clear from the government programme if renewing development policy was done to meet changes in development policy taking place worldwide or the previous government's development policy.

The social dimension emphasised in KEPO

When compared with the previous government term, the most distinct difference was the emphasis of the social dimension of the development policy in accordance with the government pro-

gramme and, above all, a strong human rights-based approach. The undeniable benefit of the human rights-based approach is the strengthening of a joint value base (why we do development cooperation and for whom). At the same time, it connects development policy to international human rights monitoring and strengthens bonds to other actors in development policy. These are the partner country's civil society, human rights organisations and trade unions, as well as the defenders of human rights and the disabled and minorities who often have valuable and politically sensitive information of the target countries as well as of the international actors influencing development.

The move from the traditional needs-based development policy to a human rights based one is not, however, simple. These two approaches are not exclusive, but their starting points are still quite different. Needs-based development cooperation emphasises the fulfilment of the most basic needs of the poor. People are the object of operations and not always active participants. In the needs based approach, the reasons behind poverty are

A law on development cooperation? Models for the future from around the world

In many European countries, the permanent basis of development cooperation is defined either in a law or act on development cooperation. Why not also in Finland? Development cooperation is a part of Finland's international role and its long-term objectives reflect the values of Finnish society and the international commitments. Furthermore, in practice, the same elements recur in development policy from one government term to another. Also, the cycles of the country programmes made with partner countries run over government terms. The statutory goals of EU development policy are defined in the Treaty of Lisbon. They also apply to Finland.

In many countries, the matter has been resolved with acts on development policy (for example, Denmark, Sweden, Iceland, the United Kingdom and Germany). According to the DPC, a law on development policy is necessary for clarifying Finland's long-term position. In addition to stability, the advantage a law would offer is that it would enhance, sharpen up the focus and detail of the government programme, the Development Policy Programme in particular. For example, the law on development cooperation in Belgium includes the main goals and principles of development cooperation. For the most part, acts on development cooperation also include these elements. Should the law on development come into force, the Development Policy Programme could be drawn up for each government term with a view to setting concrete and clear goals as well as monitoring their progress. The way for this could be laid in the next government term with a statement by the prime minister, which would include the elements to be included in possible legislation.

in the heart of development cooperation; rather, activity is centred on reacting to problems. The UN's Millennium Development Goals are built to a large extent on this model (e.g. to halve extreme poverty and hunger). Instead, human rights-based development cooperation focuses on realising rights. Needs can of course be seen as rights (e.g. instead of reducing hunger, we talk of a right to food). Individuals and groups therefore have a right to fulfil their basic needs and present their demands to those with legal and moral responsibility (e.g. the state and the international community). Part of the human rights-based approach is that people become aware of their rights and are themselves active in the development process. The human rights-based approach also emphasises the responsibility carried by those in power, such as local and national decision makers, in such matters as the provision of basic services. At the same time, human rights-based development cooperation goes right to the causes of poverty instead of just dealing with its consequences. Citizens' participation and the empowerment of the whole of civil society are key to the success of the human rights-based approach. Even so, it is the fulfilment of basic needs that lays the foundation for these processes and the well-being of citizens.

Practical guidelines in search of their form

The journey from value-based principles and agreements to development cooperation in practice is long. KEPO's statement of the values that serve as the basis of development cooperation was indeed praiseworthy. However, it did not offer adequate guidelines itself, i.e. specify clear goals, methods or division of labour between development policy actors. Above all, the move to a human rights-based approach would have required clearer tools for political direction and outlines for the transition period in KEPO. In relation to this, the first challenge was defining the human rights-based approach and including its core thinking in "all activities". According to KEPO, Finland's human rights-based development policy is, as stated in the UN Universal Declaration of Human Rights, based on the notion that all human beings are

born free and equal in dignity and rights. KEPO names human rights legislation as the guideline for implementation and refers to the recommendations of the UN Human Rights Council and the EU's decisions. KEPO paid less attention to the significance of economic inequality.

Knowledge of human rights legislation and bringing it to development cooperation as well as applying it in practice requires significant changes in the whole operating environment and in the way of thinking. KEPO acted as the starting point for a new policy that has been systematically promoted throughout the government term. Human rights-based operating instructions were approved in December 2012, just under a year after the approval of KEPO, but they are still quite general. In addition, adoption of the human rights-based approach has been supported by training staff and allocating personnel as well as giving guidance on drawing up country programmes. The guidelines published in spring 2014 were found to be very clear and have been a help in the planning of many new projects and in the reporting. However, the general feeling is that there are insufficient personnel to meet the requirements laid down in KEPO.

The results of the change are not immediate

The change has required a transition period almost as long as the government programme and its results will not be visible until later. Many projects have been planned during the previous government term and many different entities, such as Finnish and international organisations, state institutions and universities plan and make funding proposals. Therefore, the adoption of new principles takes time. Also, their implementers do not necessarily share the same strong set of values regarding human rights. Moreover, the application of the human rights-based approach to different partner countries has generated the need for additional guidelines, e.g. in the case of Ethiopia and Vietnam.

Human rights can be promoted even in difficult conditions with skilful diplomacy and a pragmatic and flexible approach. However, it should always be possible to explain one's choices from the human rights perspective. At best, the human

There is room for improvement in applying the human rights-based approach at the country level

In bilateral development cooperation country programmes, the human-rights based approach has been taken into account quite well in the documentation. However, the reality on the ground is a little bit different.

In partner countries, there may be a very different concept of what human rights mean or of their importance. The existing constitution or signing international commitments is often seen as sufficient and implementation is only partial. The human rights-based approach should offer tools for speeding up those precise issues that have not yet been implemented. At the same time, it is necessary to consider the circumstances of the partner country.

For example, of Finland's partner countries, Vietnam and Ethiopia are challenging because of their political systems and legislation. In particular, promoting citizens' and political rights is difficult in these countries. For this reason, putting development cooperation into practice requires clear and applicable instructions. The guidelines have improved, but change takes time. What is also a challenge is that the majority of projects have been planned before the adoption of the human rights-based approach.

The implementation of the human rights-based approach depends, to a large extent, on how interested and committed the target countries are and what kinds of values prevail. Also, the commitment of the implementers of development cooperation to the human rights-based approach is important. It is not a question of foreign donor countries imposing their conditions if the country itself is committed to human rights agreements. It must be noted that there is quite a difference in how active the actors are in promoting the human rights-based approach.

Cross-cutting themes in practice

Cross-cutting objectives have been taken into account in planning development cooperation country programmes, but linking them to results has been regarded as difficult. Country programmes emphasise their selected cross-cutting objectives in their projects. For example, in Tanzania and Vietnam gender equality and climate sustainability as well as the reduction of inequality. Their implementation in practice can be difficult, because there are a number of cross-cutting objectives and projects have their own different main goals.

At the country level, EU coordination varies in Finland's partner countries and coordination is as much directed on a political level by ambassadors, as on a sectoral level by public officials. In EU development, common programming is already under way or in planning in the majority of Finland's partner countries. For example, in Tanzania, EU countries have drawn up joint mapping and operating plans for different subject areas and Finland has participated in these actively. In Tanzania, budget support is also a central sector for cooperation.



rights-based approach sharpens the implementation of development policy and forces one to focus on core questions: who our partners represent, what resources and attitudes do they have regarding human rights. Is national and local decision making based on open democracy? Are the decision makers accountable to their citizens? And how do the other actors influencing development, such as big corporations or other aid donors, take human rights into consideration?

Ambitious attitude, results-based approach needs improvement

In comparison with the UN Millennium Goals' needs-based approach, the human rights-based approach of KEPO is much more ambitious in its attitude. KEPO sees human rights as both a value base and an enabler of socially sustainable development to which the absolute reduction of poverty and the narrowing of the inequality gap are inextricably linked. KEPO is more far reaching than the UN goals in its areas of focus. The programme merges sustainable development as part of the traditional development agenda where it raises democratic and responsible societies that promote human rights, participative and job-creating green economies, and the sustainable management of natural resources and protection of the environment to the same level as human development in development cooperation. This eases Finland's positioning when the targets of the Post-2015 sustainable development goals are debated during the next government term.

The downside of this ambition is, however, the fact that it makes it more difficult to assess KEPO in direct relation to reducing poverty and the UN Millennium Goals as laid down in the government programme. Of Finland's areas of focus, only promoting human development is directly linked to the millennium goals. In accordance with the government programme, KEPO highlights global education and health goals at different levels, as well as the right to education of children and young people, particularly that of girls. In addition, of the millennium goals, reproductive

health, water and sanitation have been particularly important to Finland. We will return to these focus areas in the section "Finland's strengths and effectiveness".

The application of principles requires instructions

According to KEPO, the principles and cross-cutting objectives of development cooperation should be taken into account in all activities, and Finland should commit to these also in the future. However, principles need instructions, too. For example, democratic ownership in developing countries is an ambitious concept. In an ideal world, it is used to refer to the development needs specified by partner countries and their own citizens, the development and poverty reduction plans. KEPO does not take a stand on what to do if the actual situation does not correspond to the ideal. Also, the prioritisation and concentration of operations is taken into account already when setting the main goals for development cooperation, and not only when selecting partner countries and operating sectors.

Cross-cutting objectives such as promoting gender equality and climate sustainability as well as the reduction of inequality are compatible with the basic values and strengths of Finnish development cooperation. Of these, promoting gender equality goes hand in hand with many of the UN Millennium Goals and also appears as an area of focus. The climate sustainability tool was taken into use in autumn 2012. It is used to assess and prevent climate change and the risks caused by the natural disasters associated with it. The operating instructions for cross-cutting objectives were completed in August 2012. The basic idea is that Finland promotes cross-cutting objectives in all its operations by "mainstreaming", using targeted measures and political influence in bilateral, multilateral and EU cooperation and communications. The challenge with cross-cutting objectives is still how to demonstrate their concrete results.

The DPC's recommendations

- *The government programme's value-based foundation should not be lost, but rather established in a more permanent form. At the beginning of the next government term, the prime minister should give a statement including the values, goals and main principles of development policy, as well as instructions as well as instructions for their application. The experiences from this can then be used as the basis for preparing an actual law on development policy.*
- *The operating principles and cross-cutting objectives as well as the human rights-based approach could be included in the values that serve as a foundation for operations in the long run.*
- *Future development policy programmes need to give clear guidelines that increasingly concentrate on defining results-based goals and measures. Examining economic inequality and the reasons behind it must also be raised as a guiding principle in setting goals and assessing effectiveness. The results of development cooperation are to be communicated more clearly and they need to be available to a wider audience, e.g. via the Ministry for Foreign Affairs' (MFA) website.*
- *The human rights-based approach is to be maintained as it makes development policy a part of a wider social and economic context. Its application requires more detailed guidelines and training. Also, in the name of openness, the problems and conflicts associated with implementation have to be brought up more readily.*

The resources of development and their allocation

The government programme promised steady budgetary growth, KEPO new instruments

The resources of development can be viewed from many different perspectives. The most traditional starting point is the budget of development cooperation. The use of the budget and its percentage of gross national product (GNP) are defined by international commitments. In the background, an idea persists that for development to be possible, there has to be a transfer of capital and know-how from industrialised countries to the poorest nations or to international actors. Allocation of funds is linked with strategic choices of how and through what kind of actors development cooperation resources should be used so as to reach the set development goals.

The aim of the government programme is to ensure the steady growth of the development cooperation budget that will allow Finland to achieve a level of 0.7 per cent of GNP and fulfil its international commitments. In addition, the government promised to look into the possibility of taking into use new and innovative development funding sources to grow the funding base.

The government also promised to improve the effectiveness of development cooperation and sharpen up its allocation. This covered the growth of multilateral cooperation, non-governmental organisations as well as Finnfund's financing shares.

KEPO's starting point was the government's promise of steady funding growth allowing Finland to achieve its international commitment of 0.7 per cent of GNI. Furthermore, KEPO noted that Finland has already in 2005 as a EU member committed to achieving the target by 2015. The Development Policy Programme also reminded that Finland had promised to support developing countries in reducing emissions and adapting to climate change. For this reason, at the end of the government period the income from the emissions trade auctions was promised for development cooperation and climate funding. This was done to ensure development cooperation fund-

ing reaching the share of GNP committed to. At the same time, KEPO repeated the government programme's goal of broadening the different dimensions of development funding and promote the use of other innovative sources of development funding.

In accordance with the government programme, KEPO sought to increase effectiveness and the results-based approach by carrying out development cooperation increasingly through civil society and private sector actors. According to KEPO, local civil society is an important operator and partner in the implementation of human-rights based development cooperation. Local civil society demands responsibility from governments, public officials and companies and advances democratic change. With regard to the private sector, KEPO stated that the operational prerequisites of business have to be developed. For this KEPO defined as its most important methods the planning and implementation of new forms of development cooperation as well as Finnfund's increase of capital and special risk finance.

The DPC's assessment:

The promise of increasing funds turned into cuts

The government programme's and the Development Policy Programme's policies most notably slackened when it came to development policy funding. Instead of realising commitments, the funding for development cooperation has been the object of cuts several times during the current government term. They were reduced for the first time about a year after the government programme came into force and the following year the government discussion on spending limits led to funding being frozen at the 2012 level. By the beginning of 2015, the cuts totalled 59 million euros. The latest three million euro cut was made in December 2014. As a consequence, the funding for development cooperation in the 2015 budget remains at 785 million euros. In 2013, Finland used a total of 1.1 billion euros on development cooperation. Depending on the calculation method used, it is either 0.56 or 0.54 of GNP. The cuts are in direct conflict with the government programme's promise. According to it, the aim is to ensure a

steady growth of funding in development cooperation to enable reaching the 0.7 per cent of GNP level. As a consequence, the funds for 2015 are in danger of taking Finland even further away from the level of the top European countries: France, Denmark, Norway, Luxembourg and the United Kingdom all exceed the 0.7 per cent target.

Even though the funding commitments suffered a setback during the government term, the government did keep its promise made in March 2013 and directed the income from emissions trading to development cooperation and in international climate measures which was held internationally as an innovative funding source. Emissions trading revenue offered an additional source of funding for development cooperation, but the estimates for the amount to be received were substantially higher than what the income actually was. This did not bridge the gap left by the cuts. Revenue from emissions trading totalled 69 million euros in 2014. Revenue is estimated to remain at this level for the next few years, but whether they are allocated to development cooperation is uncertain. In the first supplementary budget of 2015, there is a proposal for the revenue from emissions trading accrued in 2014 (total 19 million euros) to be allocated to multilateral development cooperation. In addition to this, the government proposes a further 15 million euro cut to bilateral development cooperation funding.

During the government term, there was a lively debate both nationally and internationally on other new sources of funding. The prevention of tax evasion and capital flight, a tax on financial markets, air passenger fees and the redirection of subsidies to fossil fuel sources, all gained support. But, the allocation of new sources of income to development has progressed very slowly. Still, the allocation of emissions trading is the most concrete source of income to development and climate measures that the government programme and KEPO mention. At the same time, demanding country-specific bookkeeping from state-owned companies is a step towards the openness and transparency necessary to eradicate tax havens.

The emphasis switched to multilateral cooperation

The amount of development funding is not necessarily a guarantee for results or of effectiveness. Systematic and long-term operations require an adequate resource base. Success is largely depend-

ent on who uses the aid, how it is used and in what circumstances it is done.

According to KEPO and the government programme, the funding shares for multilateral cooperation, NGOs and the private sector were supposed to be increased. This was only partly realised. Also, the relationship between the actors influencing development and the goals of development cooperation remained unclear. The allocation of funding has been steered by operator-based and not goal or results-based thinking.

The funding shares received by both multilateral cooperation and NGOs have continued to rise, as they already did in earlier government terms. The growth and level of funding shares largely met the expectations of NGOs. In 2013, funding to organisations rose to 114 million euros, which was 14 per cent of development cooperation funds. Inter-governmental cooperation as well as multilateral cooperation through UN organisations and international financial institutions are still important routes for channelling aid.

Funding within the multilateral system has concentrated ever more distinctly in three UN organisations: the women's organisation UNWOMEN, the population fund UNFPA and the environmental programme UNEP. Funding grew most

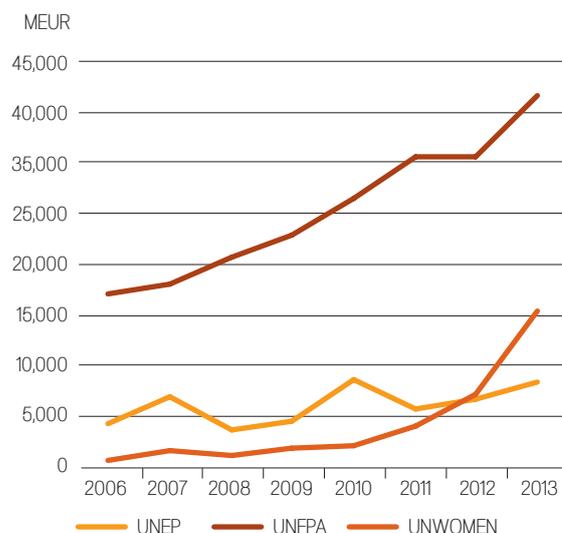
for UNWOMEN (established in 2010) shooting Finland to the top of the list of its funders. Also, the growth of financing of the population fund showed a clear change in development policy compared to the previous government term. The tasks of the organisations and their compatibility with Finland's Millennium Development Goal priorities can be seen as the most important criteria for Finland's funding. In addition, the choice reflects Finland's belief in multilateral cooperation as the resolver of development problems. The allocation of aid specifically to these organisations was still a political decision. From the perspective of assessment result of these multilateral organisations, the choices are not entirely clear. With the methodology chosen, the differences between the organisations remained small and as a new organisation, UNWOMEN, fared worse than the others in the peer review. With regard to UNWOMEN and UNEP, Finland has undeniably good opportunities to make an impact. Finland is the largest funder of UNWOMEN and third largest of UNEP. These opportunities have to be actively utilised. Clear linking of funding and goals would further improve Finland's effectiveness. Even UN organisations need political direction from their financiers.

The development of support forms for companies is still ongoing

The government term raises several questions with regard to growing and allocating private sector funding. The private sector's role was acknowledged in policy, but this did not lead to growth in funding shares, but quite the opposite. This government term, the raise in FINNFUND's capital (48 million euros) was in fact 20 per cent less than the previous government term. Correspondingly, Finnfund's disbursements have dropped radically since 2012. In 2012, the Ministry for Foreign Affairs introduced a partial loss compensation commitment for Finnfund, where the state is committed to paying loss compensation to a maximum of 50 million euros. Having this special risk finance to fall back on has enabled Finnfund to participate in projects that would not have been implemented otherwise. Over half of the special risk finance has already been used.

The Aid for Trade initiative supporting developing countries' trading opportunities has had its funding share slashed during this government

Funding received by Finland's main UN partner organisations



Source: Ministry for Foreign Affairs, Unit for Administrative and Legal Development Cooperation Matters, 2015

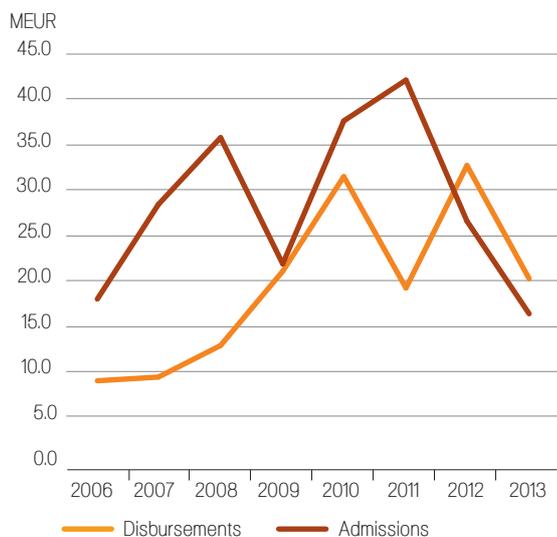
term, too. During the same period, the disbursements relating to Trade for Aid have decreased by five per cent. The downward trend is partly due to relatively few new projects and programmes. Also during the government term, the previous term's projects and programmes have largely still been ongoing. On the other hand, falling trends in granting aid and disbursement are contrary to KEPO's emphasis on job creation and the green economy. Aid for trade is also the only thematic sector at the moment where information on the performance of projects is systematically gathered using common indicators (Evaluation of Finland's Development Policy Programmes from a Results-Based Management Point of View 2003-2013).

According to KEPO, it was decided to discontinue concessional credits with no new funding granted after December 2014. Other forms supporting private sector cooperation private sector operations have been planned, but this work is still ongoing.

The newest private sector tool is the joint Ministry for Foreign Affairs (MFA), Ministry of Employment and the Economy (MEE) and Finnish technology and innovation development centre (Tekes) Business with impact or BEAM instrument which was taken into use at the beginning

TEAM FINLAND'S cross-sectoral ministerial level trip to the USA to promote export particularly in business in crisis areas in November 2014 was a promising start, which sought to combine the goals of development policy and export promotion. Taking part were public officials from the MFA, Ministry of the Interior (MOI), MEE and companies. The goal was to increase Finnish exports through UN projects and at the same time take responsible private sector expertise to developing countries. Business in crisis areas is still in its infancy, but it could, as it develops, bring a new type of instrument to development policy and comprehensive crisis management.

**Finnfund's development cooperation funding
2006-2013**



Source: Ministry for Foreign Affairs, Unit for Administrative and Legal Development Cooperation Matters, 2015

of 2015. Its aim is to link interested companies and developing country operators to create new business opportunities in line with development policies in the target countries. It has to be noted, however, that the BEAM instrument does not in any way replace the concessional credits in quantity or in the aim of supporting the public sector. In addition, it is too early to say how the BEAM instrument will work in practice.

Furthermore, Team Finland – the organisation supporting the internationalisation of Finnish companies – has remained disconnected from the goals of development policy. It should also be used for examining how to promote responsible business in Africa as well as other poor and middle-income countries. Team Finland must also be made more known and the proportion of its operations covering the small and medium-sized enterprise (SME) sector should be increased. Also the BEAM instrument must be adaptable to meet the needs of SMEs so that companies would feel at home with it. It has to be ensured however, that business supported with development cooperation funds is directed at reducing poverty and inequality as well as promoting sustainable development.

The DPC's recommendations:

- *The steady growth of development cooperation funding still needs to be ensured so that the target of 0.7 per cent of GNP and international commitments can be met. Particular attention has to be paid to development aid and other forms of cooperation are adequately allocated to the poorest of countries in accordance with international decisions.¹*
- *In addition, Finland should increase its climate funding (support given to developing countries to mitigate and adapt to climate change) in the way agreed in international climate negotiations.*
- *Finland should publish a clear timetable and plan on how development and climate funding commitments are to be met. Climate funding is to be new and additional to present development cooperation commitments until the 0.7 per cent goal is reached.*
- *During the present government term, the allocation of emissions trading revenue to development and climate funding bridged the gap left by cuts to the development cooperation budget. Emissions trading revenue and other such innovative sources of funding will be needed in future, too. Finland should continue directing income from emissions trading to climate and development operations.²*
- *The allocation of development funding should primarily be goal-based. For this reason, it is necessary to move away from an actor based operator model to one which binds the goals, effectiveness and different operators more closely together.*
- *The sufficiency of private sector funding, goals and allocation to different instruments requires reassessment, so that the role of the private sector as an actor creating decent jobs and wealth is realised more effectively than at the present in partner countries. The promises made on the part of Finnfund and other forms of development funding are to be realised during the next government term.*
- *To increase the resources available to development, the internal and external partnerships of government will become increasingly important. For this reason, we need to have more adequately supported needs-based operating models and initiatives such as the BEAM initiative.*
- *The expertise found in the embassies, NGOs and companies located in Finland's partner countries needs to be more actively brought together to advance development goals.*

¹ The decisions of the OECD meeting of development ministers in December 2014

² Of the DPC's members, the Confederation of Finnish Industries (EK) does not support allocating emissions trading revenue to fund development, but in their opinion the money should be used to develop emission-reducing technologies (R&D) and to compensate the additional costs of energy-intensive carbon leakage sectors for reasons of international competitiveness.



PHOTO: HANNA ÖUNAP

The most important resource of the future: Policy coherence for development

Development policy brings together different actors and viewpoints, not to mention conflicting interests. Often, just identifying these is a step forward, but to respond to global problems concrete goals and results are needed. The scale of climate change, growing inequality as well as security and food security challenges require joint solutions that unite different actors, levels and areas of policy. These will not come to pass without a clear division of labour and interaction over traditional jurisdictional borders. In this change, development policy and cooperation has to define ever more clearly its own role: what we want to and what we can achieve with development cooperation, what is the relationship between development cooperation and broader development policy – and in what goals do we need cooperation and commitment from other areas and actors? The Post-2015 development agenda is built largely on this thinking and seeks to offer answers to these questions.

The Development Policy Programme clearly states that development policy and cooperation alone are not sufficient to reach development goals. Also, oth-

er areas of policy important to development ought to reinforce long-term development targets both in donor and partner countries. KEPO also acknowledged the operations of the private sector and civil society in promoting coherence. KEPO stated on a general level that, “strategic management is being developed” and “practices that bring together different ministries are being created”. The same operating model was also to be used in EU preparation and the OECD. In this, Finland has been at the frontline, particularly in food security and taxation questions. Both are huge, multi-dimensional themes entwined with the international economy. Development aid alone is not enough at this scale, but it can be helpful as a promoter of development. On the other hand, coherence increases the effectiveness of development cooperation and in turn reduces the need for it. Both food security and tax-related initiatives are a promising step towards a new kind of operating culture and a more holistic way of thinking. In addition to increasing coordination and cooperation, the division of labour between ministries has to be changeable as necessary, if promoting coherence demands it.

Development policy's strength and effectiveness

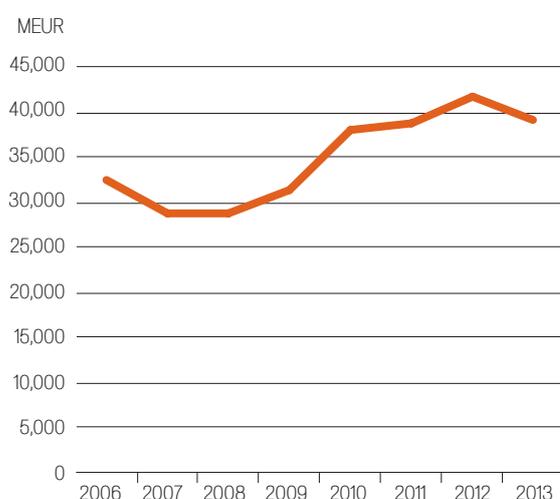
The government set coherence, quality and results-based approach as targets

Finland's strength and expertise in education, promoting health, communications and environmental technology as well as good governance support the areas of focus set by the government programme for development policy, i.e. promoting education, decent work, reduction of youth unemployment as well as the improvement of the position of women and children.

The coherence of development policy and the quality and effectiveness of aid were highlighted in the government programme. Central means to this are reducing the fragmentation of aid and increasing coordination with both donor countries and organisations.

In contrast to the previous government term's Development Policy Programme, the 2012 KEPO did not highlight or directly take a stand on utilising Finnish strengths in development cooperation.

Funding received by education sector
2006–2013



Source: Ministry for Foreign Affairs, Unit for Administrative and Legal Development Cooperation Matters, 2015

These strengths were seen more as a resource working in the background, which is related to Finnish values as well as the way to live and act, which is also apparent in development cooperation. In this, KEPO remained partly apart from the government programme.

The effectiveness of KEPO is directly related to advancing development policy goals and the international principles supporting them, of which the most important are the Paris Declaration (2005), the Accra Agenda (2008) and the Busan Partnership for Effective Development Cooperation (2011). The keywords for the effectiveness and performance of country programmes are: strategic and results-based planning (clear objectives and measurability), management, monitoring of performance, evaluation, learning from the results and communication. Finland's international effectiveness is being strengthened by investing in multilateral organisations and development funding institutions whose work is increasingly result-based and strategic.

The DPC's assessment: Highlighting own strengths would increase effectiveness

Finland's strengths and effectiveness together form a concept pair that should walk hand in hand. This is not quite the case however. KEPO does not address how Finland's strengths and expertise, as listed in the government programme, in education, promoting health, communications and environmental technology as well as in good governance could be utilised in reaching the goals of development policy.

Rather, Finland's strengths are more seen in the choice of areas of focus and in part in the allocation of development funding, but the connection to development cooperation procedures is not clear. Also this government term's areas of focus as regards development funding do not particularly differ from those of the previous term. Of Finland's central themes, the funding for population policy (including reproductive health) and water and sanitation goals have continued increasing strongly as in the previous government term. Instead, the resources of the health sector have in fact turned into decline, which is not in line with

the Millennium Development Goals. In addition, another of Finland's strengths, education, is also in decline even though it is a critical area of focus according to the government programme. This should be taken into account in future both in funding and in personnel resources. Not enough expert resources have been allocated for the education sector either. In addition, the amount of aid for the agriculture and food security sector has been decreasing.

International development policy advocacy work has been improved during the present government term by drawing up internal MFA advocacy strategies. Directing advocacy work has also been engaged in more deliberately than before. The connection of these advocacy actions to KEPO's main objectives remain quite superficial and in some cases fragmented. A positive example of strategic and forward looking advocacy work is Finland's efforts in further deliberations on the outcome of the United Nations Conference on Sustainable Development (Rio+20). The work is directly related to the preparation of funding for the UN Post-2015 development agenda as well as the funding for UN climate negotiations. In connection with the Post-2015 agenda, Finland has also drawn up joint position papers with the other Nordic countries (peaceful societies, gender equality, sexual health and rights, natural resources and human rights) which support both the promotion of the central themes of KEPO in relation to international development policy.

In addition, Finland has had a group of special responsibilities that demonstrate the increase in Finland's international activity. These include World Bank and the African Development Bank board responsibilities, Co-Chair of the International Dialogue on Peacebuilding and Statebuilding (IDPS) as well as membership of the board of the Extractive Industries Transparency Initiative (EITI), all of which have increased Finland's international visibility in matters concerning fragile states and the sustainable use of natural resources. In accordance with KEPO and the government programme, Finland has also focused further its multilateral cooperation, particularly within the UN. The decision is in line with the UN's Millennium Development Goals and Finland's social development areas of focus. In future, concentration and Finland's objectives should be brought together even more openly.

The DPC's assessment:

- *Finland's strengths in development policy have to be defined more clearly than at present and it has to be specified how these strengths could be best utilised to attain sustainable development and promoting issues such as equality, stability and pluralism or improving education, health, food security and water supply. The partner countries' views have to also be taken into account in the definition.*
- *Finland has to assess how these strengths can be utilised increasingly systematically and efficiently in development policy. This way, broader collective support can be garnered for development policy than currently. At the same time, binding strengths to development policy can also serve the advancement of policy coherence for development. Emphasising strengths however, cannot just be the seeking of trade benefits at the expense of developing countries' priorities.*
- *Strategic effectiveness needs to be bound more tightly to development policy focus and to the concrete goals derived from them.*
- *The areas of focus ought to be visible not only in development funding but also in the number of personnel including the MFA's sectoral advisers. In the same fashion, the budget for development policy and advocacy should be demarcated more clearly than now.*



The future and tasks of development policy

Policy coherence for development yields results

The world has changed and continues changing even faster than anticipated. The major changes have taken place in the wider field of development policy. These changes are directly linked to both foreign and security policy as well as external economic relations. Just as the DPC stated in its previous annual review, fitting development policy into this complicated equation is not simple. It is, however, necessary from the sustainable development perspective. In relation to this, policy coherence is a key priority. In accordance with it, Finland seeks to eradicate global poverty and promote sustainable development in all areas of policy and in all its activities both nationally and internationally. In practice, this means setting clear, joint goals as well as consensus on suitable methods and procedures transcending traditional mandates. It would be particularly important to clarify the status of development policy in Finland's broader foreign and security policy and economic relations. The clearer the goals and principles that development policy sets for itself, the more effectively they can also be promoted in this broader context.

Let us start by examining the fundamentals:

- *What do we mean by development cooperation and development policy?*
- *What goals can we set for them and what can we realistically achieve?*

The aim of development policy is to reduce poverty and inequality sustainably and in accordance with the international agreements and commitments Finland has approved. Its main targets are defined with policy statements going from one government term to the next (such as the prime minister's statement and the law on development cooperation). Inside this frame, the strategic targets are aligned. The strategic targets bring together and direct the different operators in development policy across sectors.

- *What are Finland's development cooperation and policy's tasks as a part of foreign and security policy as well as external economic relations and who determines them?*
- *And how can other areas of policy promote the achievement of development cooperation and policy goals?*

Development policy is a part of Finland's overall external relations policy. Development policy furthers its strategic goals and aid in different ways in partner countries and internationally. It also has an important task in reinforcing policy coherence for development in other policy areas and brings perspective of development goals to Finland's foreign and security policy as well as to external economic relations.

Foreign and security policy: Development requires security and stability

Development policy has its own important role in improving the global security situation, which also affects Finland. Extremist groups growing in power and increasing violence have also become causes of concern for us. The ongoing crises in Ukraine and Syria, as well as the rise of the extreme Islamist ISIS organisation have led to unprecedented human tragedy and suffering amongst civilians. At the same time, the terrorist attacks of Boko Haram and Al-Shabaab create instability in already fragile communities as well as more obstacles for development, human safety and peace. According to research, young people who have no employment or education opportunities are susceptible to extremist groups. The best way to prevent the growth of extremist groups is to offer education, work and alternative possibilities for the future. It is also important to create genuine dialogue in Finland with the diasporas living in our country, as well as to utilise their knowledge and opinions in policy planning.

In addition, the nature of conflicts has changed. In modern conflicts, the parties do not necessarily aim for structural change within the state or for the distribution of power, but the creation of totally new ways of governing across traditional state borders (as we have seen in Nigeria, Iraq and Syria). These parties do not follow the international rules governing war either.

Finland has seven fragile states as partners

Lasting peace is not born without the reduction of poverty and inequality. Besides, conflict and an alarming security situation prevent sustainable development. This can be seen clearly in the case of fragile states; the OECD's Development Assistance Committee lists a total of 51 of these. Of Finland's cooperation partner countries, Afghanistan, Somalia, South Sudan, Nepal and Myanmar as well as Kenya and Ethiopia belong to this group.

According to estimates, half of the world's poor will live in fragile states by 2018. Regardless of the differences between them, fragile states all share

experiences of violent internal or external conflict and also all of them have considerable difficulties to reach the UN's Millennium Development Goals. Although there are several causes behind fragile states, common factors are inequality, gender inequality, corruption, a low level of democracy and the application of the rule of law. For this reason, it is extremely important that Finland takes a coherent and long-term approach in its relationship with fragile states. It is therefore necessary to ensure that the different areas of development cooperation as well as foreign and security policy and external economic relations are combined together more carefully than ever before.

In extreme situations, the crisis management methods used alongside humanitarian aid, such as peace brokering, diplomacy, military and civil crisis management are to be planned in such a way that they promote the cessation of violence and the building of social harmony. As regards this, there is still a lot of work to do, as comprehensive crisis management still does not work in practice. The comprehensive crisis management strategy has been in use since 2009, but operations are still steered by many different policy documents. Instead of a broader strategy, the FMA has drawn up operational instructions for fragile states (2024) to direct the implementation of the Development Policy Programme; it only concerns the implementation of development policy, not the other areas of comprehensive crisis management.

Also peace mediation, which is important to Finland, is facing new kinds of challenges particularly in fragile states. Peace mediation concentrates on settling conflicts between states or inside states where the parties have a clear interest in relation to the state. This starting point does not however work in fragile states. In their case, the countries' own conflict resolution procedures have to be applied, which help to reinforce the possibilities for a more lasting peace and build the capacity of decision makers. Thus, new instruments are needed for peace mediation. Local traditional and religious peace mediation structures go some way in meeting these challenges. Also security and law enforcement officials often act as the practical builders of peace. Their role should be taken into account more than at present already at the beginning stages of the process.

Crisis resolution needs more resources

In the overall picture of external relations, the role of development funding is significant. KEPO stated that development cooperation funds can be increased to promote comprehensive security in areas where Finland is supporting peace mediation, peacekeeping and crisis management tasks. Also, the flexibility in including expenses as development cooperation should be increased in line with OECD criteria. For example, peace mediation often happens in developing countries or concerns their population groups, so the funding of these measures could, in general, be counted as development cooperation.

In the future, Finland needs to resolve how it is ready to resource long-term development cooperation in these situations and, on the other hand, allocate resources for increasing need for humanitarian aid. The magnitude and urgency of the need have not been sufficiently understood. Acute crises already threaten wiping out achieved development goals and break the foundation of a sustainable future. Up to 80 per cent of humanitarian aid is needed in conflict areas, but natural disasters are taking an ever growing toll as climate change increases.

Therefore, foreign and security policy risks are growing, which can also be seen in the need for development resources. Alongside climate change,

the need for humanitarian aid is increased by the weakening state of the environment, the fight for natural resources, the rise in the price of food and poor governance. The changes again highlight the significance of coherent policy that takes development goals into account. However, it has to be noted that often the root causes of problems are out of reach of development cooperation; this is an important message that needs to be conveyed also to other actors.³ By the same token, local-level experiences have to be listened to more closely than ever in development policy planning and implementation and interaction between research and corporate sectors has to be increased.

The human rights perspective offers a common foundation for both development policy and broader foreign and security policy (cf. EU's Treaty of Lisbon). Certainly, there are challenges in putting it into practice, as it has already been acknowledged earlier in this report. Perhaps an even bigger challenge is still defining results and effectiveness in the fragile state scenario.

³ In public administration, MEE (corporate responsibility), Ministry of Finance (Tax policy, e.g. transparency of taxation including country-specific reporting), Ministry of Social Affairs and Health (WHO), the Ministry of Justice (children's rights) and Ministry of the Environment (energy and climate policy).

The DPC's recommendations:

- *In order to succeed, comprehensive crisis management has to be based on civilian crisis management goals that builds peace and social stability and takes all sectors of society into account.*
- *The amount of humanitarian aid has to be assessed in light of the increased need for it.*
- *Policy coherence for development and stability is particularly needed in fragile states, but it has to be increased in all operations.*
- *Finland should in future actively cooperate with the g7+ group (a group of fragile states) and utilise more efficiently research findings as well as the experience and expertise that have grown up in NGOs.*



External economic relations: The role of the private sector in development will become more prominent

Private cash flow, trade and investments all have a significant role to play in the achievement of development policy goals, because they bring employment, capital, expertise and technology to developing countries. Implementation, however, needs changes not only from the operators in development policy, but also from international business, trade and economic policy. Once implemented, the Post-2015 agenda will largely change this dimension, so it would be wise to prepare for it in advance. At this moment, mainstream thinking that still clings to economic growth does not acknowledge the limits of our planet's carrying capacity or equitable distribution of benefits. The situation is untenable from the point of view of development cooperation, as it is neither the ade-

quate nor the appropriate instrument for correcting this imbalance.

Opening up value chains reveals “benefit leaks”

From the development policy perspective, it is significant to examine the formation and distribution of economic gain. From the point of view of developing countries, already the monitoring and valuation of natural resource flows are important for charting future possibilities. Here, understanding these value chains is of extreme importance. Put simply, by opening up value chains we can see what stages the production and distribution process of a certain good divides into, where the different stages are located geographically, who participates in their production, sale and consumption at each stage and who controls the whole chain or its different phases. Opening up value chains makes transparent how and where added value and economic benefit are formed and for whom. It can be applied for examining value development in basic industry (e.g. garment, textile and elec-

tronics industries) and for monitoring raw materials and natural resources (particularly the mining industry and the forestry sector). It can be also used to raise the tax income of developing countries with the help of international tax regulations. At best, surveying value chains is a tool for human rights-based and open governance. It also makes it possible to locate “benefit leaks” that slow down development and also plug them, if the political will exists for this. These leaks are a chronic problem for Finland’s partner countries in Sub-Saharan Africa, but it is also a huge challenge also for South-East Asian partners such as Vietnam.

From external relations’ perspective, development policy is not only cooperation in partner countries. The relationship is also formed from those chains which link partner countries to the global economy and trade, ending finally as a part of the everyday life of Finnish consumers and producers. For sustainable development to occur, the whole chain has to be in working order. A diverse corporate sector that creates local economic gains and jobs is in a key position in this. At an international level, good macro-level policies are needed encompassing trade agreements, the growth of trade capacity, capital flight, the use of tax havens and reducing the misuse of transfer pricing by multinational companies. In the future it will become increasingly important that Finland continues implementing the UN’s principles regarding business and human rights by setting binding due diligence and corporate responsibility reporting obligations concerning human rights for big corporations. The global goals of sustainable development require that the victims of human rights abuses caused by big Finnish corporations are also guaranteed legal protection. Also, public procurement should be on an environmentally and socially sustainable base.

Economic relations therefore are by no means separate from the rest of the development policy agenda. Open and responsible governance and rooting out corruption further the activities of both civil society and the private sector. Both groups are an important counterbalance for the division of power particularly in those countries where public administration does not serve its people. Human development is, for its part, the basis for all well-being and productivity. The human rights-based approach is a particularly appropriate guideline for all these dimensions. The

best result is achieved by combining national and international measures to promote human rights and root out corruption.

For development policy it is important to take forward those openings that Finland has already made over administrative borders. Indeed, we need themes that bring together easily different actors to ponder development questions. A good example is the Business with Impact or BEAM initiative presented earlier; it links the fields of development policy, foreign trade policy and the MEE as well as private operators. Being the funder, development aid has the role of enabler in it, but already at this time it seems that resources have increased thanks to the contributions of other actors. To bring the private sector better on board, an instrument package that promotes all of developing country business and the adequacy of resources must be urgently looked into. This is particularly true of projects which could have great significance from the development perspective, but would not take place without a separate risk financing instrument. However, the future of the Finnfund special risk finance presently in use is still uncertain.

The food security pilot as a model for other themes

Also, the food security pilot has successfully brought together development and trade policy, as well as parties working in health, agriculture, climate, fishing, forest and environmental issues to work on a common assignment. The improvement of food security is not limited only to Finland’s operations, but it covers advocacy in the EU and OECD. The food security pilot demonstrated clearly that many matters and opinions have an effect on Finland’s efforts in operations in furthering food security. The pilot scheme confirmed the parties’ understanding that a broad-based, comprehensive perspective is essential. In addition, it increased the desire and capability for cooperation. The pilot also standardised food security work in Finland and the OECD as well as producing valuable knowledge on the effect of the work in partner countries. For this reason, these kinds of ways of working should be utilised also in the future for other themes, such as global issues around health, energy and migration.

Also, taxation has become a subject for Finland’s common policy coherence over the last

few years. The MFA promotes this in cooperation with the Ministry of Finance (MOF) and the tax administration. States around the world lose enormous amounts of tax revenue due to illegal capital flight and tax evasion. Every year, six to nine times the amount received as development cooperation flees from developing countries. Most of the illegal capital flight is connected to inaccurate invoicing in foreign trade – import or export – and so also to the operations of customs. Eradicating tax havens requires increasing openness and transparency. Country-specific reporting becoming obligatory at the beginning of 2015 for state majority-owned companies and it is a good example of Finland's work to increase transparency. In addition, taxation has its own role as a source of

funding for sustainable development in the Post-2015 agenda. As for food security, the target for advocacy is wider than the national level, as tax issues have entered the agendas of the EU, OECD and G20 countries. With development aid, Finland supports the development of the tax administrations in developing countries, growth of tax revenue and highlights the position of developing countries in negotiations on international tax regulations. According to surveys by the OECD, development aid investments in taxation make, at their most modest, a fourfold return and there are numerous examples of ten to twentyfold returns. For this to happen, policy coherence and value chains have to be in order.

The DPC's recommendations:

- *From the viewpoint of development policy, inequality in the global economy is based on unsustainable, ineffective and unjust value chains. These structural issues need to be resolved so that the independent economic base of developing countries would improve. Finland needs to promote openness, the equitable distribution of wealth and the transparency of value chains. This work has to be done together with commercial companies.*
- *Also the eradication of tax havens and capital flight require openness and transparency. Finland has to demand that companies' country-specific annual reports are published in a commercially acceptable way and push for widening economic reporting in the EU⁴.*
- *Understanding the significance of value chains requires pilot research and planning processes, which can be used to demonstrate the effects of value chains to decision makers. This way, we can more purposefully support strategies aiming for the diversification of the economy and industrial production (including services, sustainable agricultural production, and new industries) in partner countries.*
- *The prerequisites of companies, particularly those of SMEs in developing countries, need to be strengthened. There has to be more responsible international agreements and investments in line with human rights as well as aid supporting the trade capacity of developing countries.*
- *Utilising the true potential of SMEs requires creating more actively partnerships between Finnish companies and those in partner countries. The performance of business needs to be assessed from the viewpoint of the goals to reduce poverty.*

⁴Of the members of DPC, the Confederation of Finnish Industries (EK) does not support the obligatory expansion of country-specific reporting due to the increase in the administrative burden placed on companies. Reporting should be promoted primarily from a voluntary reporting basis, through companies' self-regulation.

Coherence is also needed at an international level

Many sustainable development questions are for a large part, or even entirely, EU policy. From developing countries perspective, the most important of these include agricultural, fishing and trade policies. The EU has addressed the conflicts between these and development policy for over forty years. Help in correcting internal inconsistencies has also been requested from the international level. The World Trade Organisation's (WTO) Doha Development Round (2001–) was meant to significantly further the trading possibilities of developing countries. That promise is still to be fulfilled. In ten negotiation themes supporting development, significant progress has been made in one. In the WTO Ministerial Conference held in Bali in December 2013 a new agreement aimed at easing barriers to international trade was made (Trade Facilitation). The agreement concerns customs procedures and its aim is to improve the fluidity of regional and foreign trade and reduce export and import costs. When implemented, the agreement would also significantly reduce corruption and improve the access to markets of small enterprises both in developing countries and internationally.

In the last few years, the overall picture in global trade has changed significantly and rising developing countries have claimed increasing shares of export markets. The needs and opportunities of the most successful developing countries and the poorest are growing increasingly apart. The slow pace of multilateral trade talks and the conflicts of interest between members have increased interest in regional free trade agreements where the agenda and development goals are modified to suit the stronger party. An example of this is the economic partnership negotiations between the EU and the ACP countries (the African, Caribbean and Pacific states), the results and implementation of the negotiations have to be monitored primarily from the perspective of human rights, development needs and development policy coherence in the partner countries. The authority of the EU Commission in trade policy cannot overlook the interests of developing countries. In the initial goals of the UN's Post-2015 negotiations, there are also obligations for international trade policy, in particular in the areas of agriculture, food security, fishing and conservation of marine areas. Their implementation could strengthen real global partnership and coherent operations to promote sustainable development.

Post-2015 and the future of Finland's development policy:

A call for an ambitious sustainable development agenda

Sustainable development requires comprehensive global policy that takes into account social development, the environment, economic relations and security. The UN led preparation process has, over the last few years, created great expectations of a new worldwide agenda. The purpose of the agenda is to finally bring together all areas of sustainable development with the present Millennium Development Goals which are largely limited to social development. The idea that sustainable development and the reduction of poverty and inequality are inextricably linked is not new. The goal of universal implementation is though. In addition to the results of the negotiations going on between governments, success depends on how those who wield power in development policy around the world can change their own development policy thinking and action. This challenge concerns the whole of Finland.

The breakthrough of sustainable development that began with the Rio summit on sustainable development (1992) has, despite many problems, successfully speeded up the worldwide environmental and climate agenda and related research. In this respect, the dimension of poverty and inequality has dragged along behind, even though the eight millennium Development goals agreed in 2001 signified at the time a noteworthy improvement. The Millennium Development Goals have been criticised however for being insufficient and low in ambition. It has even been accused of misrepresenting the starting points of development policy: taking care of the symptoms, not the causes of poverty.

The criticism points at goals narrowly centred round human development and their meas-

urement was only directed at developing countries with industrialised nations playing the role of "global partner". Global partnership included, in addition to development funding, a host of important trade and debt policy recommendations as well as recommendations on the availability of medicines and the transfer of technology. Apart from development aid being 0.7 per cent of GNP, no other clear goals were attached to these. It is not surprising that according to the UN, of all the millennium goals, global partnership was the least successful. In practice, it has meant donor partnership largely concentrating on development aid. The purpose of the Post-2015 agenda is to break this set-up. Above all, it means that mutual dependency between countries and the need for comprehensive dialogue rise to the centre of cooperation.

From the Millennium Goals to the goals of sustainable development

The leap from the Millennium Development Goals to the goals of sustainable development is huge and there are no guarantees yet of their success. At the moment, there are 17 main goals directly linked to sustainable development and 169 subsidiary goals, with themes ranging from reducing poverty and inequality to sustainable production and consumption. The biggest change concerns the worldwide, universal coverage of the goals. Should the new goals of sustainable development be realised, they will also apply to Finland. Addressing Finland's development policy only from a broad foreign policy perspective is not therefore enough, but all areas of policy should be brought into implement sustainable development. At the same time it requires even stronger political direction in implementing the new goals from the next government.

It is clear, that implementation needs to include the whole government and also all social stakeholders and actors. This requires cooperation transcending actor and jurisdictional boundaries. The model for achieving the new goals nationally has to be found through joint projects that have already begun promisingly, such as the food security pilot and the national social commitment to

sustainable development. In a way the Post-2015 agenda is based on policy coherence for sustainable development. The goals of sustainable development offer a roadmap for its promotion.

The universal acceptance of sustainable development is an important part of the structural change of global development. Development cooperation has its own important part to play in the sustainable development agenda. This work

is particularly important in the least developed countries which are at risk of being left behind. It has been estimated that in 15 years, 80 per cent of those suffering from extreme poverty, in particular women, children and growing youth, will live in the least developed countries of Sub-Saharan Africa. Therefore, the core for the challenge for sustainable development and development policy is the greatest.

The DPC's recommendations:

- *Finland needs to push for a real change and the universal sustainable development goals that aim to reduce inequality. Post-2015 is a national commitment: it applies to the whole of Finland. Also, future development policies are to be based on the goals of sustainable development, with special areas of strength and strategic goals defined for development policy.*
- *The human rights-based approach should not be abandoned, but merged with the new goals.*
- *Information gained from development policy work and systematic research is needed to further the goals of sustainable development in different areas.*
- *Development funding is to be allocated particularly to meet the needs of the poorest countries, at the same time growing risks should be taken into account in planning operations.*
- *The strengthening of NGOs and the private sector needs to be continued in both the poorest and middle-income partner countries. At the centre of development policy should be the growth of the funding and resource bases of developing economies. This requires sustainable economic growth, changes in value chains and the structures of global trade as well as reinforcing the tax systems of the developing countries themselves.*
- *All policy areas and actors should be engaged to promote the new sustainable development agenda. This requires even stronger national direction and policy coherence, for Finland to reach its targets.*

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The Development Policy Committee is an advisory body appointed by the Government to monitor and evaluate Finland's activities in the policy areas which concern developing countries.

The Committee also assesses the quality and effectiveness of development cooperation and monitors the level of public development cooperation appropriations. The Committee is representative in terms of parliamentary and social representation.



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