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<https://www.eduskunta.fi/pdf/HE+154/2022> Topic: Pl. 24 International development cooperation

Statement by the Secretariat of the Development Policy Committee (DPC) to the Parliamentary Committee on Foreign Affairs 18 October 2022

Finland needs a roadmap for financing sustainable development that transcends governmental terms of office and in which development financing boosts Finland's global responsibility and influence¹

We appreciate the opportunity to submit a written statement to the Administration and Security Division on the draft state budget on international development cooperation. Our statement is based on the studies carried out by the DPC to strengthen the impact of Finland's global responsibility for sustainable development.

Unsustainable development and a democratic deficit also negatively impact the security and future of the Finnish people. The new Sustainable Development Strategy (2022) makes global responsibility and impact a guiding principle of Finnish national policy.² Under this strategy, Finland can increase its positive handprint in the world through various means. Development cooperation, development policy covering various policy areas and forms of financing, climate funding and humanitarian aid are an essential part of this mix.

The UN's 2030 Agenda for Sustainable Development identifies the 0.7% target for development finance and its achievement as part of the Partnership for Sustainable Development and the resourcing of the Sustainable Development Goals (SDG-17). Similarly, financing for development is part of Finland's sustainable development financing and budgeting, to which Finland has committed in its government programme

The Ministry of Finance's budget proposal includes total development funding for next year of about Eur 1.2 billion. This is estimated at around 0.42% of GNI in 2023. Eur 713 million is proposed for development cooperation proper, which is in line with Finland's average for the last three decades (0.42% of GNI) and represents a worrying decline from the line taken in the early years of the government's term. **This downward trend is inconsistent with the government programme, the**

¹ The Finns party rejects any increase in development funding. In the current economic situation an increase in development spending to 0.7% of GDP is not an option for the Finns. An increase in the development budget to 0.7% of GDP would mean an unsustainable increase in government expenditure in the current situation and would require additional borrowing. In the view of the Finns, the payment of development aid should in future be voluntary for taxpayers and/or should only be made from the budget surplus.

² Strategy of the National Commission on Sustainable Development 2022–2030

A prosperous and globally responsible Finland that protects the carrying capacity of nature <http://urn.fi/URN:ISBN:978-952-383-084-4>

promotion of sustainable development, the negative impacts of the Covid-19 pandemic and escalating global threats.

It is highly regrettable that Finland has been postponing international financial commitments for decades, regardless of economic conditions. The failure of the 0.7 roadmap work under the government programme is part of this negative continuum.³ **Failure to meet the 0.7% GNI target will affect international assessments of Finland and will also contribute to the deterioration of political and trade relations, especially with Africa. Above all, however, it takes away from the promotion of development objectives and the people of the target countries.**

We understand that the current situation makes it even more challenging to meet this commitment. However, we would like to recall that promoting and financing UN sustainable development, meeting the ever-increasing humanitarian needs and fulfilling the obligations of the Paris Agreement are an essential part of Finland's international role and long-term interests. That is why we must look ahead. **This is also well outlined in the explanatory statement of the budget, which also emphasises the centrality of youth, children and gender equality objectives.**

Yet Finland lacks a funding policy approach to development funding that transcends government terms. Similarly, the objectives of development policy across government terms are still without a long-term financial basis or principles to guide funding, so that the goals set can be supported by the best and most suitable forms of funding (grant aid, ODA in the form of loans and investment) in the right proportion to the context in which they are pursued.

The reduction in ODA funding in the draft budget is a cause for concern. The planning, channelling, monitoring, performance reporting and independent evaluation of ODA funding are well established in Finland. Grant aid is particularly needed for gender equality work and for strengthening democracy and non-discrimination, which are also emphasised in the budget statement. Also, support for the multilateral system is very important in this particular time in the world.

The issue of the relationship between policy objectives and the various forms of funding is also acutely relevant to Finland's international climate financing, which would be honed by strategic objectives and the principles guiding their financing. The sources of finance considered in this context would include development finance, other public funding streams, private finance and combinations of these.⁴

To increase financing for sustainable development, Finland has committed itself to the Addis Ababa Action Agenda (Addis Ababa Action Agenda, 2015) and uses different financing channels, whether national, international, public or private. Finland is also committed to policy changes to increase financial coherence (including tax accountability and tackling illicit financial flows). **But the overall picture of the implementation of the Finnish Programme of Action remains unclear.** The Ministry for Foreign Affairs policy paper on Financing for Sustainable Development (2022) is an important opening to improve the situation, as it raises open questions that Finland needs to address. **One of the main issues featured in the policy relates to the awareness on the part of Finnish investors of the need for sustainable investments and the conditions for their development.**

³ 0.7% - Finland's unattainable development goal? Research Summary
www.kehityspoliittintoimikunta.fi/julkaisutyypit/analyysipaperit-ja-selvitykset (in Finnish)

⁴ DPC's analysis of Finland's international climate financing
<https://www.kehityspoliittintoimikunta.fi/en/activity/finlands-climate-financing-needs-a-clear-direction-analysis-by-the-finnish-development-policy-committee>

According to a survey on sustainable investment commissioned by KPT⁵, a significant number of investment industry firms (including occupational pension funds, investment banks and retail banks) report that they invest in line with the UN Sustainable Development Goals (SDGs). **Due to a lack of common criteria, the approach of investors to sustainable investment varies considerably.** The targeting and development impact of Finnish investments is difficult to assess because there is no standard way of monitoring them.

The survey also shows that the complementarity of investments with development finance is still very limited in practice. At the same time, the most fragile regions remain excluded and the principles of gender equality or leave-no-one-behind are not yet perceived as an aspect of sustainable development investment. There are nevertheless both development cooperation funds and private financial flows from Finland to the same countries. Five of Finland's 20 largest ODA recipient countries have also received significant Finnish private investment between 2013 and 2019. In five other countries, investments account for some 20% of development finance. **At this stage, though, it is not realistic to expect that private funding alone will replace, in terms of volume or appropriately targeted, development funding as a driver of sustainable development. And yet there is also a growing need for private sector investment. Its quality and quantity must therefore be developed in close cooperation between governments and investor networks.**

We therefore propose that in order to increase the quantity and quality of financing for sustainable development, Finland needs a roadmap for financing for sustainable development that transcends governmental terms. Such a roadmap would take into account the different forms of financing for sustainable development, such as public grant aid, financial investments that meet the criteria for ODA the form of loans and investments, other public financial flows, and ways to mobilise private sustainable development investments in line with sustainable development. **Parliament could issue a call for action on this. There is an urgent need to clarify the criteria for the sustainability of private investment.**

The roadmap would facilitate the monitoring of financing for sustainable development in line with the Addis Ababa Action Agenda. It would concretely link development finance to this broader framework, opening up the roles and applicability of the different forms of finance in relation to the goals set and contexts set. It would also facilitate the assessment of financing needs and synergies and strengthen policy coherence in support of sustainable development.

⁵Survey commissioned by DPC and statement on Sustainable Development Investments in Finland <https://www.kehityspoliittinentoimikunta.fi/julkaisut-ja-materiaalit/kestavan-kehityksen-mukaiset-sijoitukset-suomesta-kehittyviin-maihin>