

FINLAND

1) QUANTITY OF AID

1.1. Current/Recent Quantity Performance:

Net ODA (US\$m)	1,139
% of GNI	0.43%

Source: OECD/DAC, preliminary 2008 data.

Since 2001, Finland's ODA has increased in absolute amount (up from US\$389m) and relative to GNI (up from 0.32%). Over the period 2001-08, Finland's ODA volume increased by 193% in nominal terms.

1.2. Future Quantity Intent

Finland aims to give 0.51% of GNI as ODA by 2010 subject to economic circumstances. The DAC calculates that this will be equivalent to US\$1.3 billion in 2010 (DAC, 2009). Debt relief has accounted for a fair proportion of recent increases in ODA (accounting for 17% of total ODA in 2005).

2) KEY AGENCIES/MECHANISMS

2.1 Bilateral Agencies and Structures

Ministry of Foreign Affairs (MFA)

Finnish ODA falls under the jurisdiction of the Ministry of Foreign Affairs (MFA) which is also responsible for security policy, human rights and other diplomatic activities. The MFA has been reorganized a number of times since 2002, and currently a separate Minister for Foreign Trade and Development is responsible for Finnish ODA.

2.2 Key Policies and Legislation

Development Policy Programme 2007: Towards a Sustainable and Just World Community (MFA, 2007b)

Finland's development policy stresses the country's commitment to global solutions to promoting gender equality, promoting the rights of minorities, combating HIV/AIDS, and achieving the Millennium Development Goals. Three priorities are identified: Climate and environment issues, prevention of crises, and support for peace-building processes. The document outlines Finland's development philosophy which rests on three principles:

- Coherence: Policy decisions will support the goals of poverty eradication and sustainable development (details not provided).
- Complementarity: Finland will continue its strong support for multilateral aid and will actively contribute to the creation of 'innovative financing mechanisms'.

- Effectiveness: Poverty reduction and development strategies will be decided jointly with partner countries. Funding predictability will be improved. Finland is committed to implementing the Paris Declaration.

Finland's Development Cooperation (MFA, 2005)

This leaflet sets out the general trust of Finnish Development Cooperation. It lists the main principles of Finland's development policy as being:

- Commitment to the values and goals of the UN Millennium Declaration;
- Broad national commitment and coherence in all policy areas;
- Commitment to the realisation of human rights specified in international agreements;
- The principle of sustainable development;
- The concept of comprehensive financing for development: development aid alone is not enough to raise standards of living in developing countries, and aid needs to be supported and complemented with other funds and resources from, for example, investments, trade, and public and private savings and loans;
- Partnership: development requires participation by the public and private sectors and civil society, both in individual countries and internationally;
- Respect for the powers of decision and responsibility of the developing countries and their people themselves: Finland's development assistance must support the individual countries' own development efforts;
- Long-term commitment, transparency and predictability.

3) RECIPIENT COUNTRIES AND ALLOCATION CRITERIA

3.1. Recipient Countries

Top recipient countries	% of total ODA gross disbursements	% of bilateral ODA gross disbursements	US\$ m
Iraq	9.2%	14.5%	77
Mozambique	3.2%	5.1%	27
Tanzania	2.7%	4.5%	24
Viet Nam	2.3%	3.6%	19
Afghanistan	1.8%	2.8%	15
South Africa	1.7%	2.6%	14
Nicaragua	1.6%	2.4%	13
Sudan	1.4%	2.3%	12
Ethiopia	1.4%	2.3%	12
Pakistan	1.4%	2.3%	12

Source: OECD/DAC, 2005-2006 data.

Distribution among different groups of recipients (% bilateral ODA gross disbursements):

Least Developed Countries	28.2%
Other Low Income Countries	12.1%
Sub-Saharan Africa	28.4%
Middle East	17.5%

Source: OECD/DAC, 2005-2006 data.

3.2. Allocation Criteria

3.2.1. *Pre-selection criteria*

Finland's MFA has no pre-selection criteria for country eligibility for its overall aid programme. However, for a country to be eligible for budget support it needs to be a Least Developed Country (UN classification) or a Low Income Country (World Bank classification) – see MFA (2004b, p8-11) for more details.

3.2.2. *Allocation criteria:*

The following factors are used to assess eligibility and level of bilateral funding (MFA, 2007b):

- Need for assistance as assessed by poverty and environmental indicators
- Prior support by other donors
- Political commitment to deal with development challenges
- Finland's value-added and administrative capacity
- Demand for assistance related to Finland's priorities

Like the other Nordic countries, Finland concentrates on a few countries in the framework of a partnership. These include long-term partnerships, countries in transition and other partners. Finland aims to increase the share of ODA going to its 8 long-term partner countries (listed below) to 60% (MFA, 2004c, p8). Implementation of this policy has thus far been slow, as the share of ODA going to the partner countries has in fact fallen (Reality of Aid, 2006).

Finland's 8 long-term partner countries are: Mozambique, Tanzania, Ethiopia, Zambia and Kenya in Africa; Nicaragua in Latin America; Vietnam and Nepal in Asia. Finland also supports countries recovering from violent conflict: Afghanistan, Bosnia and Herzegovina, Kosovo, Sudan, and the Palestinian territories. Finland funds NGOs and projects in South Africa (limited duration), Egypt, Namibia and Peru.

4) AID POLICIES

4.1. Concessional

Nearly all Finnish aid is in the form of grants.

Grant element of total ODA commitments (excluding debt reorganisation)	100%
Grant element of bilateral ODA commitments to LDCs	100%

Source: OECD/DAC, 2005-2006 data.

4.2. Types of Assistance

Breakdown of different types of ODA (disbursements):

	\$USm	% of gross bilateral ODA disbursements
Stand-alone technical cooperation (disbursements)	158.8	33.9%
General budget support	21.5	4.6%
Sectoral projects and programmes (including some technical cooperation)	285.7	61.0%
Action related to debt	-	-
Developmental food aid	-	-
Other commodity assistance	-	-

	\$USm	% of gross bilateral ODA disbursements
Emergency and distress (disbursements)	57.5	12.3%

Source: OECD/DAC, 2006 data.

Note: The breakdown into different types of assistance shown in the table is taken from different OECD/DAC data sources. As such, the final column does not add to 100%.

Finland pursues budget support strategies with a limited set of its partner countries. Budget support can be granted to other countries on a case-by-case basis and in cooperation with other donors. As of 2007, Finland has provided budget support to Mozambique, Tanzania, and Nicaragua, and plans are under way to provide the same for Zambia (MFA, 2006b). Other eligibility criteria for budget support are detailed in MFA (MFA, 2004b, chapter 4): The most important are: (i) transparent budget process and sufficient capacity in public financial management, (ii) good dialogue between donor and partner country, (iii) partner countries' focus on poverty reduction. But Finland also aims to develop the social and environmental impact assessments of poverty reduction strategies (in participation with other donors) as part of its budget support framework. Being on-track with an IMF programme is not one of the eligibility criteria, even though IMF programmes are closely monitored (see also section 4.7).

Paris indicator 9, which measures the percentage of programme-based arrangements (PBA's) in total aid, reports best practice in Nicaragua (92%), Tanzania (90%) and Mozambique (81%). Among HIPCs, Ethiopia and Nicaragua indicate more than 50% budget support.

According to Paris indicator 4 Finnish Technical Assistance is best coordinated with local priorities in Afghanistan, Ethiopia and Vietnam (100%). However, HIPCs indicate that TA is not necessarily always led by Government or fully capacity-building.

4.3. Channels of Assistance

Finland allocates 46% of its ODA via multilateral organisation, of which 40% goes to the EC, 34% to UN agencies and 12% to the World Bank (Source: OECD/DAC, 2006 data). Additionally, roughly 1% of bilateral ODA is channelled via NGOs.

As an EU member, Finland signed up to commitments in Paris in 2005 to channel 50% of government-to-government assistance through country systems. HIPCs show variable performance in relation to on-budget aid delivery, with close to 100% in Ethiopia.

4.4. Sectors and Projects

Sector	% of bilateral ODA (commitments)
Social and Administrative Infrastructure	39.5%
Of which: Education	5.7%
Health	8.3%
Population	1.4%
Water supply and sanitation	7.6%
Government and civil society	14.8%
Economic Infrastructure	5.6%

Sector	% of bilateral ODA (commitments)
Of which: Transport and communications	1.6%
Energy	2.9%
Production	8.5%
Of which: Agriculture	4.1%
Industry, mining, construction	3.6%
Trade and tourism	0.8%
Multi-sector	14.0%
Programme Assistance	10.5%
Action relating to debt	0.4%
Emergency aid	10.6%
Administrative expenses	6.9%
Unspecified	3.8%

Source: OECD/DAC, 2006 data.

Finland has committed to restricting the number of sectors it works in a given country to three, in consultation with other “Nordic +” donors. Also, Nordic+ donors aim at a long term perspective with a minimum of 5-7 years, in their active engagement in a sector (Nordic+, 2005).

The most common sectors are education, good governance, forestry, rural development and water. According to Reality of Aid (2006, p276) Finnish development policy, and sectoral targeting of aid, are heavily influenced by Finland’s expertise and commercial interests, or “*added value stemming from Finnish experiences and know-how*”.

According to HIPC’s alignment with PRSP priorities varies somewhat, but Ethiopia assesses it at 100%.

4.5. Flexibility

Most HIPC’s do not consider Finnish aid to be flexible in terms of funding budget deficits, cushioning negative external shocks or adapting to new government priorities, but Ethiopia does indicate that around 20-30% is flexible. Further details on the flexibility of Finland’s ODA are still being collected.

4.6. Predictability

Finland has been criticised by NGO’s for weak predictability of its ODA as recently as 2005. In particular, it was noted that even assistance to long-term partners such as Tanzania is not placed within a longer-term framework, and the medium to long-term flows of aid are uncertain (Koponen and Kilian, 2005). For example, budget support is negotiated on an annual basis. However, the MFA’s paper on development policy outlines this as an important area in which to improve.

Among HIPC’s, only Ethiopia indicates that most Finnish funds are part of a multi-year programming framework, with most others indicating no multiyear programming. Ethiopia also indicates that over 75% of Finnish aid disburses in the intended fiscal year. According to the Paris survey (indicator 7), disbursements compared to intentions are highest in Tanzania (98%) and Zambia (91%).

4.7. Conditionality

Finland's budget support programmes are often contingent on recipient countries meeting specific conditions, mostly derived from the country's own PRSP documents (MFA, 2004b, p23). Finland has withheld commitments or disbursements especially when political conditions have not been met: for example, in 2006, only half of the funds for Nicaragua were disbursed, and in 2004, Finland did not participate in budget support for Ethiopia (MFA, 2006b).

According to HIPCs, Finland generally is flexible about macro-economic conditions, and disbursement delays due to conditionality usually do not exceed 3 months.

4.8. Policy Dialogue

As a relatively small donor (in absolute terms) in each of the countries in which it is active, Finland advocates multilateral engagement with Partner Countries, particularly in cooperation with the UN Agencies. Nonetheless, the MFA passes its own judgments regarding recipient suitability separate from those of the multilateral institutions, even in matters regarding budget support (MFA, 2004b).

HIPCs see Finnish engagement in the policy dialogue as mixed, with best practice (relatively high in support of the partner government) in Malawi and Zambia. Finland is also seen as relatively independent of BWI disbursement decisions, especially in Honduras, Malawi, Nicaragua and Zambia.

5) AID PROCEDURES

5.1 Conditions precedent

HIPCs indicate that Finland requires relatively few conditions precedent, especially in Malawi and Zambia. Delays due to such conditions are short, especially in Malawi. Paris Indicator 6 reports only a small number of Finnish PIUs, with 8 out of 14 country offices indicating no PIUs. Finland in general demands no counterpart funding (eg in Malawi and Zambia) or minimal amounts.

5.2 Disbursement Methods

As a general rule, payments are made on the basis of reimbursement, after the contracted services have been carried out. However, for larger projects, and when agreed upon in the Tender Dossier, the MFA will disburse advance payments or direct invoicing. In the case of advanced payment, a rolling mechanism is used, whereby the advance payment is made at the commencement of the project against a pre-determined security and collected at the completion of the project. At the collection of the advance payment the security is returned (MFA, 2000).

According to HIPCs, in Zambia, Nicaragua and Honduras, almost all Finnish aid comes as cash-in-advance to the responsible Government institution.

5.3 Disbursement Procedures

Partner country's own financial reporting systems are followed to the extent possible (MFA, no date, p38), and Finland provides much support to improving partner country public financial management systems and procedures (MFA, 2006c).

Finland's harmonisation action plan also commits to reduce the number of separate audit opinions required (MFA, 2004d).

Finland demands the least number of additional (to beneficiary government) disbursement procedures in Honduras, Nicaragua, Malawi and Zambia. It uses local Public Financial Management (PFM) systems most in Afghanistan (100%), Nepal (100%) and Tanzania (92%).

5.4 Procurement Procedures

Though the relevant procurement procedures, in effect since 2001, outline that no Finnish development aid is tied to Finnish services, there remain a few tied items according to the OECD measure. According to the OECD's Development Assistance Committee (DAC), in 2006, 13.5% of Finnish Aid was tied (Source: OECD/DAC, 2006 data, excluding TA). When making purchases in its partner countries, Finland applies the local procurement rules (MFA, no date).

In 6 of 14 countries surveyed for Paris (indicator 5b), more than 80% of aid from Finland uses partner procurement systems (notably Afghanistan, Nepal and Nicaragua all scoring 100%). According to HIPC's, Finland ties its aid least (0%) in Malawi and Zambia, whilst procurement-related disbursement delays are under 6 months in Honduras, Malawi, Nicaragua and Zambia.

5.5 Coordination

Finland is a member of the 'Nordic +' group of donors, with which it has agreed on many harmonisation principles and has produced documents such as guidelines on delegated cooperation, and division of labour (Nordic+, 2005, 2006). Finland is also playing a role in helping new donors such as Hungary to develop policies and procedures (IRC, 2007).

As for joint missions and joint analytical work (Paris indicators 10a and 10b), performance varies between countries.. Best practice for joint missions can be found in Nepal (100%). Best practice for joint analytical work can be found in Tanzania where 100% are jointly conducted with other donors.

In Kenya and Zambia, all missions and all analytical work were done jointly

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