

6.11.2012

Key Remarks of Ms Heidi Hautala, Minister For International Development, in the Launch of the OECD-DAC Peer Review of Finland's Development Policy and Development Cooperation 2012

Check against delivery

Dear friends,

- Thank you so much Brian, for your concise presentation of the huge – and for us, very valuable - work that the OECD DAC has carried out within the one-year project of reviewing Finland's development policy and cooperation in a very comprehensive manner. A major evaluation like this is always like a gift to the ones being studied and we will take full opportunity to learn from your remarks.
- We really see the Peer Review as an authoritative external opinion on our development policy. Many of your observations address challenges that we have already identified in our new Development Policy. The OECD recommendations are very helpful to us when putting the new development policy into practice.
- As already mentioned, our Development Policy Program is less than a year old and a result of inclusive transparent consultations. I hope the implementation will be as participatory as was the process. And as Brian already pointed out the policy builds strongly on human rights – and that distinguishes it from the previous policies.

1. Overall framework for development co-operation

1.1 Setting clear priorities and objectives for a focused development programme

- The first set of recommendations deals with the overall framework for development co-operation. As critically noted by the peer review, our policy does have areas of priority and emphasis. We rather see the policy as providing the political orientations, as country and partner contexts differ, depending on countries' needs and division of labour with other donors. However we add specificity through guidelines and tools which we will take or already have taken into use.
- The preparation of the country strategies is now well underway, linking policy and implementation. The basis for the country strategies is the partner countries' own development plans. I expect them to offer us the vehicle to sharpen our aid's focus and increase its strategic nature. We still need to finalize these strategies but I am confident that they will be in use by the end of this year.
- As to multilateral aid we will execute a strategic analysis which will serve us in assessing which of the organizations serve our policy objectives better than others. On this issue let me say how glad we are that MOPAN has found its place under the auspices of OECD.
- More specificity to the policy will be added by producing new or revised guidelines, action plans or other instructions. Such will be for example:
 - Guidelines for a human rights based approach
 - Instructions for cross cutting objectives and
 - Inclusive green economy that promotes employment
 - Action plan for Aid for Trade
 - Guidelines for budget support

- Guidelines for Humanitarian support
- Orientations for democracy support
- Forestry sector guidelines

2. Promoting development beyond aid

2.1 Ensuring development-friendly policies across the administration

2.2 Strengthening analysis and monitoring

- Coming to the second OECD recommendation, I am glad that the OECD Peer Review has addressed the very important PCD issue. The Government is committed to strengthen our performance. This is why I personally took the initiative to discuss strengthening the development perspective in the EU coordination mechanism among the whole Government in January 2012 at a special session of the Cabinet.
- In our view, the most important measure is to strengthen the effectiveness of the national EU-coordination for PCD as some key challenges relate, also in the Finnish context, to the common EU policies like trade, agriculture, environment, investments/taxation
- The Foreign Ministry's role is to advocate policy coherence for development, identify the PCD-related issues and present them to the work of other ministries. Lately the development perspective has been taken into account for example in relation to the EU directive on accounting and transparency.
- Furthermore we wish the EU to better drive PCD at country level, through available tools like impact assessments - which need to be carried out more seriously - and joint programming of which Finland has been an ardent promotor.
- Coming back to what Finland could do I wish to mention that the MFA has convened a coordination group of relevant ministries, research institutions, academia and civil society to carry out a PCD pilot on food security in the areas of agriculture, fishing, environment, trade and development policies.

3. Aid volume and allocation

3.1 Developing a credible plan for achieving ODA-targets

3.2 Keeping the development co-operation programme focused

3.3 Working more strategically with civil society organisations

- I am also happy about the third area of recommendations, that is the aid volume and allocation – the issue of Finland's ODA level. As the Government program states Finland remains committed to achieving the 0.7 % target and fulfillment of its international commitments in this regard. There is a repeated political commitment by the government to direct revenue obtained from the trading of greenhouse gas emission allowances to climate funding and development cooperation. However, I am also concerned that in this question there is much uncertainty with regard to the future.
- For us, the broad public opinion in favor of the 0.7 % target is extremely important. According to the polls conducted yearly, the vast majority of the Finnish people remain positive towards development cooperation and the 0.7 target. But here we certainly need the support of the civil society.

- In our development policy, there is strong political will to combat fragmentation, narrow down to seven the list of main partner countries, focus even more on LDCs and increase the size of interventions. I look forward to having the new country strategies serve us in combatting fragmentation. The focusing will be similar with multilateral partners.
- At the country level, we have issued clear overall guidance to aim for fewer and larger interventions. However, we face practical challenges in achieving this objective as increasing intervention size is not always feasible in the short run, due to capacity constraints on both sides of cooperating partners as well as limited absorption capacity of certain programs or sectors. Also the importance of continuity with ongoing programs limits our room for manoeuvre in the short-term. All the same, we will work to make progress in streamlining our portfolios.
- Now about the CSO's. While we are committed to increase the financing of CSO's we have particularly two important objectives:
 - First, though CSOs are development actors in their own right, they will be, however, encouraged to promote their effectiveness and complementarity of aid with our bilateral programmes. To that end our aim is to involve CSOs more strategically and to align their activities with Finland's development objectives in the main partner countries.
 - Secondly, focus on programmatic financing will be strengthened by opening the Partnership Agreement Scheme for new applications which has already happened. We aim to select a few new partnership organisations, funding of which would start in 2014.

4. Organisation and management

4.1 Ensuring consistent implementation of Finland's development policy

4.2 Decentralising development co-operation

4.3 Retaining a stable cadre of skilled development staff

- The Review also commented our organisation and management which naturally are important for aid effectiveness. On this score I feel, however, I have to say that we are not planning to change our organisational set up – the Ministry being in charge of both policy and cooperation - but we will certainly focus on certain management issues in order to do better.
- Again I am happy that our work is well underway to address your recommendations. We are implementing an action plan for results-based management. We look forward to reforming the present arrangements and to having a streamlined RBM in place around the end of next year. Important parts of those management reforms will be inter alia: improving the quality assurance system and skills management and training as well as further developing the online case management system. Naturally training will be crucial.
- The review has also raised the issue of proper division of labour between the Ministry and the embassies. We tend to think that the framework for division of labour is largely in place, but it could have been applied more effectively. However, we will look at this issue more thoroughly and after consideration – if deemed appropriate – I am prepared to delegate more authority to embassies. It is proper to note that already so called country teams – consisting people both at the MFA and embassies - work in close cooperation and embassies' possibilities to influence and contribute to programming are not poor. I also look forward that the use of country strategies will further strengthen cooperation between the Ministry and embassies

- The personnel management issues the Review has raised are also very relevant. There remain several challenges which need to be addressed. We need both diplomatic staff with development experience as well as special career and locally employed staff. Their motivation and skills development need to be strengthened. I am glad that the working group on the "special career" concluded its work in June and made a number of recommendations, including better career prospects for "special career" staff, more possibilities for rotation to different positions in the ministry and embassies, and secondments to international organisations. This is groundbreaking as it recognises the "special career" group as an integral part of the regular staff and provides this group with career prospects.
- The action plan for results-based management defines a number of further actions to improve skills management, including definition of competence profiles for different staff categories and respective training paths, revision of the internal training programme based on needs.

5. Improving the impact of development co-operation

5.1 Building on past progress to make aid more predictable and strengthen local capacity

5.2 Working more closely with the private sector without increasing tied aid

- As to the recommendation on aid effectiveness we think that predictability has not been a major problem for Finland. As noted by the peer review, Finland has in place the necessary budgeting and planning tools to be highly predictable. However, we could use these tools always effectively. The guidelines for preparing country strategies emphasise the importance of predictability, both in terms of spending plans (four-year timeframe) and in terms of ensuring predictability in the choice of aid modalities and implementation. Consequently, we look forward making further progress this way.
- With regard to multilateral actors, multi-annual commitments are regularly used for the replenishment rounds as well as capital increases of MDBs. Finland has no difficulties in committing to these processes on time and for an appropriate duration. With regard to the UN agencies, Finland also makes multiannual commitments and will further develop their communication to the partners.
- As to promoting private sector in developing countries we have already recently been very active in reviewing and developing modalities for private sector cooperation to better reflect changes in the operating environment. An enterprise forum has been set up to consult business community.
- In the development policy 2012, we already made the decision to phase out the concessional credit instrument. This reform will significantly reduce the degree of tying of Finnish aid in the near future.
- Further measures to facilitate enterprises in their investment approaches in developing countries are inter alia: The capital of Finnfund, will be increased annually during the cabinet period. A separate risk guarantee facility was approved in September and is expected to be operational early 2013. These increase the capacity of Finnfund to finance private sector activities in developing countries. Finnfund's financing is untied.
- Finnpartnership, a business-to-business partnership program is under review and the aim is to strengthen its capacity while taking into account the new priorities of the Development Policy 2012.
- Furthermore, we might also see some other new ways of cooperation between public and private sector. I see some interesting approaches emerging – one on promoting vocational training and another furthering Bottom-of-the-Pyramide business.

6. Towards better humanitarian donorship

6.1 Developing a more focused and realistic humanitarian vision

6.2 Staffing challenges and centralized decision making are hindering effectiveness

- As to humanitarian aid your recommendation has already materialized as the new humanitarian guidelines were launched two weeks ago. Also the funding criteria have been renewed. Finland is a predictable partner in its funding. The funding obviously is and will always be based on needs assessments. Humanitarian funds have increased steadily year after year, and consequently the volumes of funding to partners have annually increased. It is already possible for us to enter into multi-annual arrangements in terms of core funding, though otherwise the frame is annual.
- I agree that we should consider of delegating more decision authority. However, we have noted some delays in responding to crises have been not so much about the funding decision but the slowness of disbursement. Our staff will make the necessary to ensure that all people at different stages of the disbursement process – also outside MFA - pay special attention to the urgency aspect.

Dear friends,

- Let me conclude by expressing my warmest thanks to OECD and DAC, to you Brian, and to Miss Tortora, for giving us the opportunity to thoroughly go through our whole development policy and development cooperation with your excellent staff and examiners. This is for Finland a remarkable opportunity to stand in front of the international donor community with the way we work. And this was and is for me personally a unique opportunity, as a minister, to have international critique – in a friendly and constructive manner - on our new strategic orientations in the beginning of the period.

Thank you all!