

Country concentration analysis Finland

Finland's data analysis consists of bilateral Country Programmable Aid (CPA) disbursements in 2008, following the approach of the OECD/DAC *2009 Report on Division of Labour: Addressing Global Fragmentation and Concentration*. Finland's analysis includes a breakdown into intervention level data including definition of aid modality, allowing for a more detailed analysis than the OECD/DAC approach.

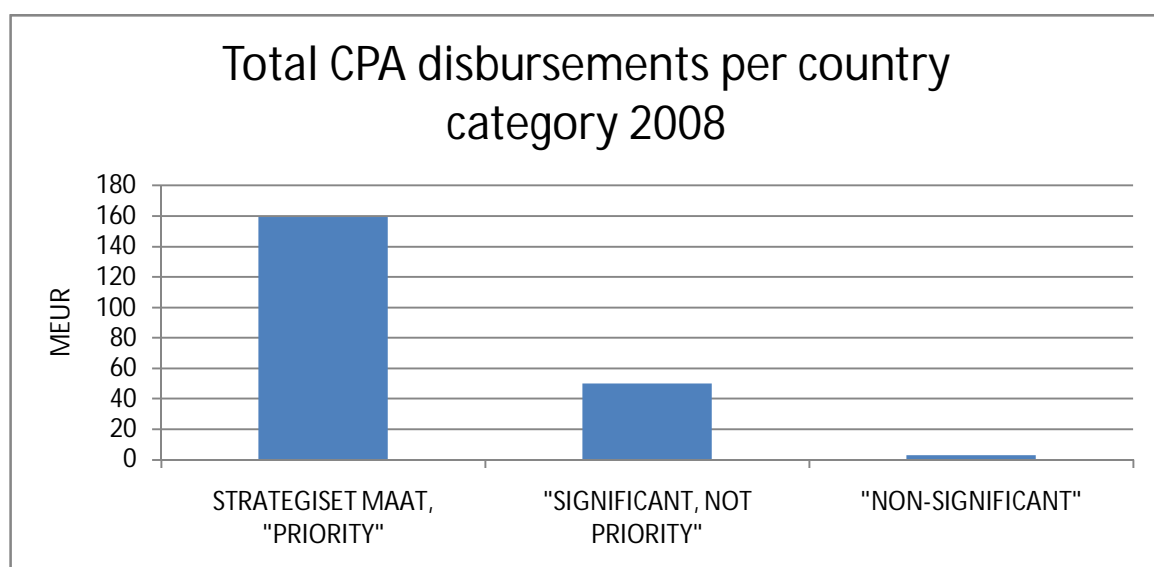
The objective of cross country division of labour should be two-fold. Firstly, we must strive to **balance global aid distribution** to address the needs of aid orphan countries. Secondly, we must **rationalise aid portfolios** in order to eliminate overlaps in donor darling countries and to ease the administrative workload of partners and donors, which is critical to ensuring quality, efficiency and impact of aid. Finland supports an ambitious EU-approach, but stresses the need for sustainable development results through more strategic global aid allocation instead of short-term wins resulting from technical re-organisation. A quantitative approach alone is not adequate; we need to look beyond numbers at qualitative aspects of our cooperation. Interventions outside priority countries can be strategic in nature, and also small highly relevant interventions can generate crucial developmental impact.

Priority countries receive bulk of CPA

Finland's Development Policy Programme of 2007 determines Finland's priority partner countries. Finland has eight long-term partner countries (**Ethiopia, Kenya, Mozambique, Nepal, Nicaragua, Tanzania, Vietnam and Zambia**). In addition to the long-term partner countries, Finland focuses its cooperation in five prioritised fragile states (**Afghanistan, Bosnia and Herzegovina, Kosovo, the Palestinian territories and Sudan**) and three former long-term partner countries, in which we are gradually phasing out bilateral aid (**Namibia, Peru, Egypt**).

In 2008, Finland allocated **three quarters** (€ 160 million out of € 212 million) of its **CPA disbursements to these sixteen countries** prioritized in our Development Policy Programme. Finland's concentration is also reflected in the size of interventions, the average size of interventions being the largest in the category of priority countries.

In addition to the 16 strategic partner countries set out in our Development Policy Programme, Finland defined two other country categories for the purpose of this analysis. The category "significant, but not priority" consists of the countries, which received over \$ 250 000 of CPA in 2008 (the OECD/DAC threshold). The remaining group of countries, labelled "non-significant", each received under \$ 250 000 of CPA disbursements in 2008.



Interventions in “non-priority” countries enable strategic cooperation and regional approaches

CPA disbursements allocated to “non-priority” countries consist mainly of two cooperation instruments: **NGO cooperation** and **embassy administered funds for local cooperation** (88% of interventions below \$250 000/“non significant”; 74% of interventions above \$250 000/“significant, not priority”).

The specific value-added of NGOs is based on their direct north-south contacts at the grass-roots level and their valuable work to strengthen civil society in partner countries. Funds for local cooperation provide an efficient way for embassies to support different actors that have strong potential for contributing towards development processes and outcomes. It also creates a communication channel for feedback from grassroots level that supports the implementation of Finland’s other cooperation.

Although geographically less selective, both **instruments substantially complement Finland’s aid portfolio** by enabling strategic cooperation that can have a potentially high developmental impact at a relatively low financial cost. Furthermore, these instruments **do not add to the administrative burden** of partner country **government authorities**, which remains the priority concern on the agenda for reducing fragmentation. Nevertheless, Finland recognises the need to critically examine the use of these instruments to ensure strategic development impact. Finland has already scaled down embassy administered funds in some partner countries, and will continue to rationalise this instrument portfolio. As regards NGO cooperation, Finland is currently preparing new guidelines, which will emphasise the Paris and Accra principles, including complementarity and division of labour in order to avoid excessive aid fragmentation.

After excluding NGO cooperation and funds for local cooperation, the remainder of disbursements to “non-priority” countries presents a minor share of Finland’s CPA, totalling at less than € 25 million (approximately 10% of CPA in 2008). These disbursements include Finland’s **regional and thematic cooperation**. Thematic cooperation focuses on sectors where Finland can offer particular know-how. Examples include sustainable forestry and forest industry, cooperation in the water sector and on the environment and climate, developing the information society and consolidating trading capacity. Thematic cooperation often takes place on a cross-boundary basis to support regional integration. At the moment, Finland’s main regional cooperation targets are the Mekong river region, Central America, the Andean Community, southern Africa, the Horn of Africa, the Western Balkans, the Southern Caucasus, the Mediterranean regions and Central Asia.

Division of labour within the context of strategic planning processes

Changes to Finland’s development cooperation in partner countries cannot be sudden or unforeseen. **Partner countries** must be included in the dialogue in order for this process to produce sustainable results. Particular attention must be paid to **avoiding financing gaps** and to carrying out possible phasing out in a consultative and sustainable way.

Division of labour can only materialise within the framework of longer-term strategic planning processes on aid allocation in order to secure predictability. Political decisions on partner countries are made when drafting governments’ **development policy papers**. This process entails broad consultations at national level within government, with parliament, civil society and the private sector and provides the setting for subsequent country strategies defining donors’ priority sectors and in-country division of labour.

Given that **Finland is currently in the phase of implementing** the Development Policy Programme of 2007, our partner country portfolio is rather fixed for the remainder of this government term. The potential for reallocation of funds from strategic or regional aid relationships to priority countries is minor. At present, delegated cooperation does not offer a practicable solution for re-organising aid portfolios as the administrative arrangements are cumbersome, sometimes even adding to the total administrative workload of parties involved. For delegated cooperation to offer a feasible tool for reducing fragmentation, we need a more workable format for EU-delegation. Therefore for the time

being, efforts should be focused on strengthening coordination of future programming. The drafting of Finland's **Development Policy Programme of 2011 provides the next viable entry point for Finland** to reconsider regional or sectoral emphases within the context of EU coordination. A joint EU approach to division of labour and future programming requires bringing Member States' planning cycles closer together. Rapidly increasing volumes of climate change finance, for instance, require ever more coordination and present a real opportunity for strengthening complementarity and division of labour.