

# FINLAND

## WHAT IS YOUR AID FOR TRADE STRATEGY?

### 1. Do you have an aid-for-trade strategy and what are the key elements in this strategy?

The importance of supporting the developing countries' trade capacity has been emphasised in government resolutions on *Finnish Development Policy* (2004) and on *Finnish Trade Policy* (2005). The main goal of Finnish trade and development policy is to support developing countries in their efforts to better integrate into world trade. The aim is to improve market access and to develop international trade rules so that they better take into account the special needs of poorest countries. These policies are complemented by support to developing countries' trade capacity through development cooperation (aid-for-trade). During last couple of years Finland has actively participated in the process of developing EU policies on aid-for-trade.

Finland has adopted a policy paper *Supporting Developing Countries' Trade Capacity in Finnish Development Cooperation* on putting trade-related assistance into operation in Finnish development cooperation. The policy paper focuses on scaling-up trade-related technical assistance and capacity building (TRTA/CB) and mainstreaming aid-for-trade as part of our multi- and bilateral development cooperation.

In multilateral cooperation the focus is on scaling-up more effective TRTA/CB. The key element is to concentrate on a relatively few number of delivery channels and prioritise the Enhanced Integrated Framework.

In bilateral cooperation the key issue is to focus support on broader aid-for-trade programmes, which are part of national development and poverty reduction strategies. Consequently support is channelled to support both external trade-related activities and programmes including strengthening of productive capacity and private sector development in more general terms.

### 2. How has this strategy evolved since the December 2005 WTO Ministerial Conference?

The Finnish aid-for-trade policy paper was adopted on May 2006 as a response to the pledges undertaken at December 2005 WTO Ministerial Conference. Since then the WTO aid-for-trade Task Force's recommendations have been adopted by the WTO General Council and the European Union has started to prepare its joint aid-for-trade strategy to be adopted later this year. In light of the evolving international debate, the Finnish policy paper will be updated in the process of putting the future joint EU aid-for-trade strategy into operation as part of Finnish development policy in 2008. One of the main issues is to adapt our thinking to encompass the wider aid-for-trade agenda, i.e. support beyond the earlier narrow definition of TRTA/CB and then mainstream aid-for-trade into the operations of our development policy.

### **3. How does this strategy address regional aid-for-trade challenges?**

The current Finnish aid-for-trade policy paper does not place a special emphasis on regional aid-for-trade challenges. However, there are already plans to increase our support for the regional aid-for-trade dimension. After the adoption of the joint EU aid-for-trade strategy the regional dimension is likely to get even more attention in our support activities. We specially look forward to the forthcoming Economic Partnership Agreements (EPA) between African, Caribbean and Pacific (ACP) countries and the EU and the opportunities they provide for regional aid-for-trade work.

The emphasis of our multilateral aid-for-trade support has been on the Least Developed Countries (LDC) and this focus will be maintained in the future as well.

## **HOW MUCH AID-FOR-TRADE DO YOU PROVIDE?**

### **SCOPE**

#### **4. How do you define aid-for-trade (i.e. which types of programme and project do you consider trade-related)?**

Finland follows the definition of the WTO aid-for-trade Task Force. Finland considers support to be aid-for-trade when it falls under categories trade policy and regulations, trade development, building productive capacity or trade-related infrastructure according to the reporting guidelines by the OECD and the WTO. Finland supports aid-for-trade data collection method based on OECD's Creditor Reporting System (CRS). Finland follows the international discussion on defining the aid-for-trade category trade-related adjustment and is ready to adapt its definitions based on international consensus.

### **METHODOLOGY**

#### **5. How do you allocate the aid-for-trade share in individual projects and programmes?**

Finland uses a single purpose code, and thus defines the aid-for-trade share for individual projects and programmes to be either 100% or 0%. Therefore, Finland will not use any partial shares concerning the aid-for-trade related projects.

### **COMMITMENTS**

#### **6. According to your aid-for-trade definition, what were your commitments by category for the period 2002-2005 and in particular for 2005?**

Our aid-for-trade commitments are acceptable for the years 2002, 2003 and 2005 as presented in the CRS profile annexed to the donor questionnaire by the OECD. However, due to missing data for the year 2004, the average of 2002-2005 is downwards biased. Therefore, Finland has estimated the missing 2004 values on an aggregate level (see attached Annex A for details).

### **PLEDGES**

#### **7. Describe any aid-for-trade pledges you have made at or since the December 2005 WTO Ministerial Conference.**

Finland pledged to increase its TRTA/CB, as so defined by the OECD and WTO, to 2 % of Finnish Official Development Assistance (ODA) by 2010 (from approximately 5,8 Million € in 2004, to approximately 15 Million € by 2010).

As part of the EU, Finland is also committed to fulfil the collective pledge by the EU Member States to strive to increase TRTA/CB to €1 billion per year by 2010. In a similar manner Finland has committed itself to continue and strengthen the support to the wider aid-for-trade agenda (i.e. aid-for-trade beyond the categories trade policy and regulations and trade development).

### **8. What is your medium-term (beyond 3 years) financial plan for aid-for-trade?**

In case of TRTA/CB our plans are based on the 2% commitment until 2010 (see answer to question 7). In multilateral cooperation our annual contribution to the TRTA/CB will be gradually increased from 2006 € 3 Million to € 10 Million by 2010 taking into account the general increase and division of Finnish ODA. In the bilateral side our minimum goal is at least €5 million annually to TRTA/CB by 2010.

Finland does not have a separate financial plan specifically for the wider aid-for-trade agenda until 2010 or beyond, since aid-for-trade forms a considerable part of our development cooperation and the programming decisions and plans are not based on trade-related concerns solely. At the moment, our general aim is to strengthen our support to the entire aid-for-trade agenda in line with the general increase of Finnish ODA.

## **HOW DO YOU IMPLEMENT YOUR AID-FOR-TRADE STRATEGY?**

### **MAINSTREAMING**

### **9. How do you ensure that aid-for-trade is effectively integrated in your overall development strategy and programming both at head quarters and in-country?**

Our development policy places much emphasis on trade and development issues. The implementation of the programme has been monitored in two self-assessments made by the ministry. We have also established an inter-departmental “trade and development network” which consists of representatives from the departments for external economic relations and development policy as well as department for global affairs and operational regional departments. This is the forum for recurrent follow-up of the agenda.

Country-level programming is to a large extent influenced by harmonisation processes and division-of-labour. However, aid-for-trade issues have been incorporated also in other sectors (e.g. rural development).

Our position has been to avoid pre-defined input allocation criteria in the programming of Finnish aid. Hence we have not established any formal criteria or yardsticks to assess how aid-for-trade – or any other specific theme for that matter – is incorporated in the programmes. In a relatively small and flexible organization like ours we trust that active cooperation between departments yields the best results.

### **10. Have you recently strengthened your in-house aid-for-trade expertise and how is this expertise deployed to link policies with operations?**

We have recruited and are in a process of recruiting some new staff members both for the ministry and embassies. In addition, in all operational country departments we have identified aid-for-trade focal points to coordinate aid-for-trade-work in their regions.

## **OWNERSHIP**

*Refers to developing countries exercising effective leadership over their development policies and strategies and co-ordinating development efforts.*

### **11. What approach do you follow in your country assistance plan, when national development strategies lack a strong trade development component?**

It depends on our country programme. If we participate in general budget support cooperation, it provides a good framework for policy dialogue on trade capacity and broader aid-for-trade issues. Like in all countries, we have constant dialogue with our partner countries through our embassies and high-level visits. Since trade and development agenda is of high priority in our development policy, we constantly introduce it on the agenda in our bilateral political dialogue with our partners.

The aid-for-trade component is somehow present practically in all of our cooperation programmes. In some countries like Vietnam we have supported programmes to improve trade capacity of the country and we also have included support for trade-related aspects in sectoral programmes like for example forestry (Vietnam and Laos) or agriculture (Nicaragua and Vietnam). In Zambia where aid-for-trade is one of the three priority sectors for Finnish bilateral development cooperation, it forms a core agenda for collaboration and Finland acts as a lead donor in this area.

### **12. How do you encourage and support policy dialogues on aid-for-trade among key stakeholders in partner countries?**

In addition to policy dialogue (see above) Finnish embassies can finance small-scale local activities and local NGOs in a flexible manner. Some of these funds have been used to finance aid-for-trade related dialogue locally. Policy dialogues on aid-for-trade can also be supported as part of sectoral programmes and projects.

## **ALIGNMENT**

*Refers to donors basing their overall support on partner countries' national development strategies, institutions and procedures.*

### **13. Are you using the partner countries' policy planning and budgeting framework as the basis for the provision of your aid-for-trade programmes?**

Whenever possible. However, our support is not targeted at separate aid-for-trade programmes. The so-called aid-for-trade components are embedded in sectoral support programmes such as in agriculture and forestry, or private sector development programmes or budget support. Finland emphasizes in all its support, including aid-for-trade, national ownership and working through national planning and budgeting systems to help the implementation of poverty reduction strategies and other national development and national sector plans and programmes.

Finland is also a strong supporter of Enhanced Integrated Framework and methodologies behind the initiative. We find that the IF is a major tool for international community to align itself with partner countries' national development strategies and to help international community to coordinate their trade-related aid to the least developed countries.

## **HARMONISATION**

*Refers to donors' actions being more harmonised, transparent and collectively effective.*

**14. Do you coordinate aid-for-trade analyses and programming with other donors at the country level, given that its scope often exceeds the capacity of any single donor?**

In some countries, for example in Zambia, Vietnam and the Mekong region.

**15. Are you increasing the amount of aid-for-trade for regional and/or multilateral programmes? (If you are a regional or multilateral agency, are you managing an increasing amount of aid-for-trade?)**

Yes, we are increasing our regional aid-for-trade support in Mekong and in the Andes and Central America. In the case of African, Caribbean and Pacific (ACP) countries we look forward to the forthcoming Economic Partnership Agreements (EPA) between ACP regions and the EU and the opportunities they provide for regional aid-for-trade work. In 2007 Finland started to fund East African Community (EAC) basket fund to enhance integration for building trade capacity in the area.

In the multilateral cooperation the Finnish annual contribution to the TRTA/CB will be gradually increased from 2006 € 3 Million to € 10 Million by 2010 taking into account the general increase and division of Finnish ODA.

## MANAGEMENT FOR RESULTS

*Refers to both donors and partner countries managing resources and improving decision making for results.*

**16. What objectives and timeframes do you set for your aid-for-trade strategy and programmes? How do you measure success?**

The specific objectives and timeframes related to aid-for-trade arise from the individual programmes or projects we support in different countries. Generally our country specific programmes are assessed every two years together in bilateral negotiations with the partner country or through mid-term reviews of final evaluations according to funding period. In multilateral efforts we follow their cycle and we prefer joint evaluation and monitoring instead.

**17. What evaluation methodologies do you apply to your aid-for-trade projects and programmes?**

Standard procedures using MFA guidelines, consult teams and joint-evaluations whenever possible.

**18. Do you cooperate with partner countries, other donors and stakeholders in joint monitoring and evaluation of aid-for-trade projects and programmes?**

Finland participates willingly in joint donor evaluations of trade-related multilateral organisations and funds. Joint monitoring and evaluation is also preferred in bilateral cooperation whenever possible. For example in Zambia we participate in donor coordination group.

## DO YOU PARTICIPATE IN MUTUAL ACCOUNTABILITY ARRANGEMENTS?

*Mutual accountability refers to donors and developing countries providing timely, transparent and comprehensive information in order to jointly assess development results.*

**19. Do you engage with partner countries, regional organisations, other donors and stakeholders in reviewing progress towards the fulfilment of your aid-for-trade policy and programme commitments?**

We have not yet have specific mutual accountability activities related to aid-for-trade. This is due to lack opportunity, not due to choice. The forthcoming EU aid-for-trade strategy will provide for an implementation and follow-up structure that we will utilise to the extent possible.