

DEVELOPMENT COOPERATION TODAY





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DEVELOPMENT COOPERATION MORE VARIED THAN EVER

INVESTMENTS IN DEVELOPMENT COOPERATION ARE WORTHWHILE WHEN SUCH WORK IS EFFECTIVE AND CONDUCTED SUSTAINABLY. SUSTAINABILITY MUST INVOLVE EMPOWERING DEVELOPING COUNTRIES TO CONTROL AND TAKE RESPONSIBILITY FOR THEIR OWN DEVELOPMENT.

► **DEVELOPMENT COOPERATION** is today realised in more forms and by more actors than ever before. Collaborative work may involve the private sector, national governments, development banks, UN organisations and civil society organisations (CSOs). Some former aid recipient countries have recently become aid donors.

Some of the poorest developing countries can only maintain basic public services thanks to such assistance. For middle income countries cooperation can facilitate technical advances and bring in foreign investment. Development cooperation work also helps to build peace, limit the destruction wrought by climate change, and improve global educational standards.

The ongoing economic recession, the global food crisis and climate change all make development cooperation more important than ever. The Finnish Government has managed to increase its budgeted development aid both in absolute terms and as a proportion of national income. But pressure is increasing for including other expenses – such as spending on climate change and the resettling of refugees in Finland – as development aid.

The projected increases in aid in financial terms have not yet been realised by Finland or many other donor countries. EU member states' aid contributions in 2010

will add up to 11 billion euros less than their earlier commitments for the year's aid.

In this context it is vital to remember the fundamental reason for providing aid: to reduce poverty in developing countries. This can only be achieved if adequate resources are provided.

Development cooperation cannot alone eliminate poverty, since the structures behind international trade and financial flows related to corporate tax avoidance in effect withhold much higher sums from developing countries than they gain through aid flows. But when it is effectively channelled, development cooperation is certainly helpful and worthwhile.

This report aims to illustrate how development cooperation is working today, through practical examples.

Sustainable results can only be achieved if developing countries' own parliaments, local authorities, impoverished communities and women are given more influence over developments. When the citizens of developing countries keep an eye on their governments' plans and spending, they are at the same time ensuring that contributions from Finnish tax-payers are being properly used.

Finland should be more prepared to let aid recipients sit in the driving seat. ◀

TO ENHANCE DEVELOPMENT COOPERATION FINLAND SHOULD:

- target aid spending in accordance with local conditions and local people's own endeavors.
- reduce the fragmented nature of aid contributions by increasingly targeting the poorest countries and Finland's main development cooperation partner countries.
- further empower the developing countries and enable them to take responsibility for their own development by increasing budget support, and by helping to give their citizens greater opportunities to influence their governments' policies.
- increase its annual budgeted development aid to 0.7% of gross national income by 2015, and provide additional financing to support developing countries address climate change.

DEVELOPMENT COOPERATION IN NUMBERS

THE OLDER EU MEMBER STATES HAVE PROMISED TO PROVIDE DEVELOPMENT AID AMOUNTING TO 0.7% OF THEIR GROSS NATIONAL INCOMES BY 2015. THE NEWER MEMBER STATES ARE COMMITTED TO PROVIDE 0.33%.

► **THE CRITERIA FOR FUNDING** countable as development aid have been agreed through the OECD's Development Assistance Committee (DAC). Aid donors annually provide the DAC with detailed reports of their aid spending, specifying the countries, sectors and purposes where aid has been targeted. The DAC keeps statistics which are used to evaluate how well the donor countries have met their aid commitments.

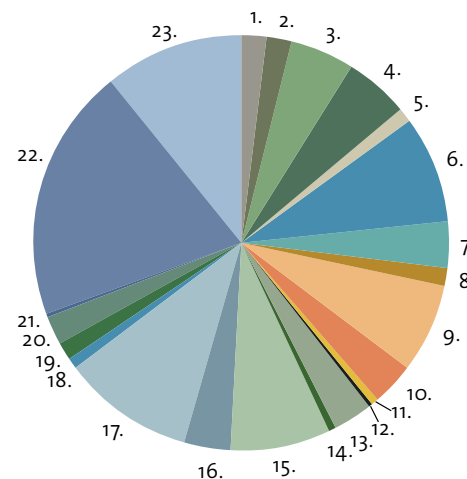
AID FIGURES DISTORTED BY SPENDING ON REFUGEES

Finland fares fairly well in comparisons of the aid provided by European donor countries in 2009, when Finnish spending on development cooperation amounted to 924 million euros, corresponding to 0.54% of gross national income.

The figures for 2010 will not be so favourable. The total aid level was increased slightly, but a lot of the increase is due to Finland's intention to count costs related to the processing of refugees as aid. In 2010 these costs may amount to some 39 million euros, a record high figure.

EMPHASIS ON PROGRAMME-BASED AID

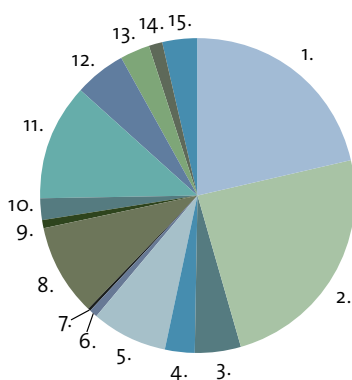
One of the main goals of the OECD's Paris Declaration and Accra Agenda for Action on aid spending has been that by 2010 most development cooperation should be based on programmes. Such aid aims to enhance the administrative capacities of developing countries until development cooperation ultimately becomes unnecessary. ◀



DEVELOPMENT AID PROVIDED BY OECD COUNTRIES
Total 136 billion US dollars

1. Australia	2 954	14. Portugal	620
2. Belgium	2 386	15. France	10 908
3. Spain	6 867	16. Sweden	4 732
4. Netherlands	6 993	17. Germany	13 981
5. Ireland	1 328	18. Finland	1 166
6. UK	11 500	19. Switzerland	2 038
7. Italy	4 861	20. Denmark	2 803
8. Austria	1 714	21. New Zealand	348
9. Japan	9 579	22. USA	26 842
10. Canada	4 785	23. European Commission	14 757
11. Greece	703		
12. Luxemburg	415		(million US dollars)
13. Norway	3 963		

SOURCE: OECD 2008

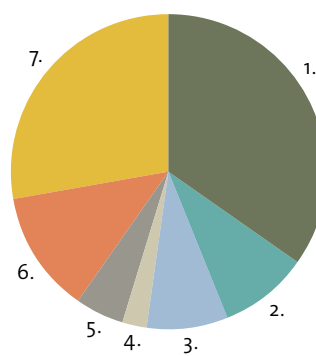


FINLAND'S DEVELOPMENT COOPERATION SPENDING (2009)

Total 923.6 million euros

1. Multilateral development cooperation	198.7	9. Interest support	8.7
2. Country-specific and regional bilateral development cooperation	223.7	10. Support for Finnfund's activities	18.9
3. European Development Fund	42.4	11. Finland's share of the EU's development cooperation budget	112.4
4. Development cooperation not directed to a specified country	28.8	12. Administrative costs	48.7
5. Humanitarian aid	73	13. Costs incurred in processing refugees	26.6
6. Planning of development cooperation	8	14. Civil crisis management costs	13.5
7. Evaluation of development cooperation	1.8	15. Other costs counted as development cooperation	32.2
8. Support for CSOs' development cooperation work	86.1		

SOURCE: MINISTRY FOR FOREIGN AFFAIRS



ALLOCATION OF FINNISH BILATERAL AID BY DEVELOPMENT SECTOR (%)

1. Social development	34.9
2. Economic development	9.1
3. Agriculture	8.2
4. Industry	2.6
5. Programme-based aid	5.1
6. Humanitarian aid	12.4
7. Other aid	27.6

SOURCE: MINISTRY FOR FOREIGN AFFAIRS



AID COORDINATION CRUCIAL

THE LARGE NUMBERS OF DONORS AND DEVELOPMENT CO-OPERATION PROJECTS REPRESENT A CONSIDERABLE ADMINISTRATIVE BURDEN FOR DEVELOPING COUNTRIES, OFTEN INCREASING COSTS AND HINDERING EFFORTS TO MONITOR OVERALL PROGRESS. THIS PROBLEM HAS PARTICULARLY BEEN TAKEN SERIOUSLY IN TANZANIA, BUT SO FAR PROGRESS ON THE NECESSARY COORDINATION HAS BEEN VERY LIMITED.

► **A TOTAL OF 14,000 SEPARATE** planning or monitoring visits from aid donors were arranged in about 50 developing countries during 2007. These visits were well intended, as it is important to ensure that aid is well spent; but if the schedules of developing countries' officials are filled with meetings with donors and reporting deadlines, they may have little time to get on with their own work.

A group of aid donors working in Tanzania, including Finland, have got together and signed a framework agreement on aid coordination.

The Tanzanian Government will take overall responsibility for the aid coordination work, and thematic working groups have been given responsibility for such work within various sectors. Each aid donor has been assigned to work in three sectors: taking leadership in one sector, working actively in a second, and acting as a delegate in a third.

The "leading" aid donors in each sector will represent other donors in dealings with the Tanzanian authorities, so as to reduce excessive administrative burdens.

DIALOGUES INITIATED BY DONORS

Communication channels established to meet the needs of aid donors have also helped local civil society and the private sector to participate in dialogues related to development cooperation. In the water and health sectors, for instance, meetings are arranged on an annual basis to enable various actors to evaluate progress and discuss future development efforts.

Aid donors' working groups have also striven to keep in touch with parliamentary committees, explains Iina Soiri of the Finnish Embassy in Tanzania: "Participation levels in the development policy dialogues have increased considerably," she says.

To ensure that aid meets real needs, citizens must have a chance to influence the shaping of development goals. Though progress has been made, obstacles to truly broadly based participation still remain.

"Invitations are sent to certain well known citizens' organisations and chosen individuals," says Michael Wambura of ActionAid, who believes that this kind of limited consultation may increase the tendency for the government to feel accountable to its funders instead of its citizens.

DONORS NEED TO SURRENDER CONTROL OVER DEVELOPMENT

Coordination between aid donors has reduced the duplication of work. The numbers of separate meetings and plans have shrunk, and single reports can be sent to several funders.

The downside of such a development is the concentration of donors' power, and when funding is provided from a more unified bloc, this single powerful voice can easily overwhelm the voices of the Tanzanian people when the directions for future development are chosen. To support the genuine local ownership of development processes, Finland and other donors need to be prepared to hand over leadership more to the governments of recipient countries, and support the strengthening of civil society.

So far such aid coordination has mainly involved donors with similar policies, namely the European countries and Canada. The US and the World Bank often participate in such meetings as observers, but still decide independently on the nature of their own aid. The newest players in the aid business, China and India, do not in practice coordinate their aid work with other donors at all. ◀



JUHANA LEHTINEN / KEPA

The fruits of development cooperation are most visible in rural areas, where budget support can help to get water flowing and crops growing.

BUDGET SUPPORT FOR MOZAMBIQUE: RESPECT FOR LOCALLY MADE PLANS

BUDGET SUPPORT IS A RELATIVELY NEW ADDITION TO THE TOOL-BOXES OF AID DONORS. THE AIM IS THAT CHANNELLING AID THROUGH THE NATIONAL BUDGETS OF DEVELOPING COUNTRIES SHOULD SUPPORT THEIR GOVERNMENTS' OWN POVERTY REDUCTION PLANS – AND GIVE THEIR CITIZENS MORE SAY IN SHAPING DEVELOPMENT.

► **“TEN OUT OF TEN** for budget support: nothing can replace the role of the state in implementing development,” says Humberto Zaqueu, a researcher for the organisation GMD, which is monitoring the ways Mozambique’s national budget is used. Since Finland is one of the aid donors providing budget support for Mozambique, the GMD is also in effect making sure that contributions from Finnish public funds are reaching their intended destination.

Budget support involves channeling development cooperation funds into partner countries’ poverty reduc-

tion programmes or sectoral programmes in line with their national planning, financial and reporting systems. This should help partner countries to strengthen their own institutions until development cooperation eventually becomes unnecessary.

Zaqueu believes that budget support is fundamentally an effective way to provide aid since it channels resources to meet needs defined by the recipient country itself. Budget support shifts decision-making power over development away from donors to the governments of

BUDGET SUPPORT REACHES THE LOCAL LEVEL

Arcanjo Florencio Nihowa, chairman of Udacomo, an association of small-scale farmers’ union in the municipality of Montepuez in Northern Mozambique, is pleased to have become part of a committee that advises the municipal authorities on the use of their public funds.

This committee has improved links between the association and the local authorities, particularly concerning cooperation on farming issues. A good rice crop is now ripening in 22 hectares

of fields belonging to the association’s members. If the rains are favourable, the harvest will enable plenty of surplus rice to be sold off as a cash crop, providing welcome income for about 40 families who share the fields. Nihowa reckons that such business would not have been possible for families working alone. “By negotiating with the agricultural authorities we have created a project that meets our needs. After choosing a suitable rice variety, we identified land where the authorities’ machines could clear

fields, and then seeds were provided for us to sow,” explains Nihowa.

When the harvest has been reaped, each family pays a nominal fee for its share – to ensure farmers are committed to the scheme.

This collaboration between the local authorities and a non-governmental organisation provides an illustrative example of how money from Finland’s public purse has reached the farmers of rural Montepuez by way of the budget support provided for Mozambique.

FINNISH INFLUENCE STRONG

In early 2010 Finland featured prominently in the Mozambican media. The news headlines read “Aid donors on strike!” after a group of 19 donor countries who provide aid in the form of budget support, chaired by Finland, called on the Mozambican Government to confirm its commitment to democracy, good governance, and anti-corruption measures.

The donors’ strike action showed how budget support and collaboration between donors can intensify the pressure to enhance governance and weed out corruption. Such increases in funders’ power may also have negative consequences, however, since governments like Mozambique’s should still

be primarily accountable to their own citizens rather than aid donors.

Following prolonged negotiations, a common understanding was reached, and the donors promised to resume their cooperation with Mozambique. But the donors’ action successfully spotlighted issues that had previously been neglected by the local media.

“No other aid channels enable this kind of influence and such high-level dialogues with the government,” explains Lotta Karlsson of the Finnish Embassy in Mozambique.

In 2008 and 2009 Finland provided budget support for Mozambique amounting to 7 million euros annually, corresponding to about a quarter of all

aid from Finland to Mozambique. Considering that Finland only contributes about 2% of all the budget support received by Mozambique, Finland has considerable visibility and influence as an aid donor. “Even a small country like Finland can affect policies significantly as part of a donor group, if we only remain active,” says Karlsson.

“Chairing the donor group has given Finland considerable influence over processes as well as the content of dialogues,” adds Karlsson’s embassy colleague Lotta Valtonen. “In practice this has led to greater transparency, reducing the number of decisions made behind closed doors.”

countries like Mozambique, who welcome the provision of budget support as their preferred form of aid.

HELPING MOZAMBIQUE TO STAND ON ITS OWN TWO FEET

This year just under half of Mozambique’s central government budget has been made up of foreign aid and loans. This represents some progress on previous years, when aid has sometimes made up more than 60% of the budget. Mozambique nevertheless remains highly dependent on aid.

To improve the effectiveness of budget support, aid donors have helped Mozambique to prepare its budget, develop a modern system for monitoring the use of budget funds, improve legislation on public purchases, and strengthen and extend government accounting procedures.

In addition to monitoring the use of resources, attempts have been made to broaden the tax base supporting public spending, and fiscal income is gradually accounting for a higher proportion of the state budget. These changes are only occurring slowly, however. “Aid donors are often too impatient,” says Lotta Valtonen, an economist based at the Finnish Embassy in Mozambique. “People want to see results immediately, but in reality the changes achievable through development cooperation need a lot of time, and budget support is no exception.”

BUDGET SUPPORT MORE EFFECTIVE AND TRANSPARENT THAN PROJECT AID

Budget support does not only involve transferring funds. Its use and impacts are monitored through many mechanisms that call for collaboration between the recipient government, local civil society and aid donors.

It is important to get everyone involved in the related decision-making to make sure that aid reaches its intended destination and targets real needs.

Aid channelled in concentrated flows between state systems is also accessible to parliamentary supervision and regulation. Cases of corruption recently revealed in coun-

tries including Tanzania have come to light largely thanks to the procedures used to oversee budget support.

“The risk of corruption is present in all kinds of cooperation, including development aid,” says international affairs secretary Lotta Karlsson of the Finnish Embassy in Maputo.

“Budget support can nevertheless facilitate the development of the kinds of mechanisms that can help expose and address malpractice, and identify the culprits. The risk of corruption is being steadily reduced.”

Such increased supervision is not without its problems. It tends to make a government keener to please donors rather than its own citizens or parliament. Critics have suggested that donors should provide more support for civil society’s efforts to monitor government actions. The role of parliaments could also be strengthened in this context. ◀

JUHANA LEHTINEN



Arcanjo Florencio Nihowa has led his farmers’ union into active collaboration with the local municipal authorities.

TANZANIAN VILLAGERS ENSURE FINNISH PUBLIC FUNDS ARE USED AS INTENDED



SELEMANI A. MGWAMI REGULARLY CHECKS THE NOTICE BOARD IN HIS VILLAGE TO FIND OUT HOW MUCH MONEY IS TO BE USED FOR PUBLIC WORKS SUCH AS REPAIRS TO THE HEALTH CENTRE. HE THEN ALSO CHECKS THAT THESE FUNDS ARE USED PROPERLY.

► **“IF WE’VE LEARNT** from the notice board that a certain sum has been granted for the construction of a classroom or buying new school-desks, we can go and see that this actually happens,” says Selemani A. Mgwami a senior villager from eastern Tanzania.

The chance to act as a watchdog is a novelty in his village, which lies in Morogoro Province 190 kilometres from the capital Dar es Salaam. Bulletins on local public spending first started to appear on village notice boards a few years ago as one of the outcomes of a local development cooperation project.

USE AND MISUSE OF FUNDS

In late 2007 and early 2008 Ungo, the umbrella organisation for civil society organisations (CSOs) in Morogoro Province, ran a Public Expenditure Tracking Survey (PETS) in six districts, with support from an American partner organisation. A simplified PETS system now provides information on the use of public funds from the planning level right down to the streets of rural villages.

Ungo’s project involved training local CSO members, officials and elected municipal councillors on provincial budgeting procedures and ways to monitor public spending. Some of the trained personnel were then elected to district PETS committees to carry out fieldwork. The committees spent several weeks visiting a total of 146 schools and 20 health centres to see whether the figures set out in the budgets were accurate.

The committees found that in some places plans had been duly followed, but some abuses were also identified. The PETS exercise had not been planned as a strict audit intended to identify guilty parties as such, but one head teacher who had been responsible for a failed classroom construction project had his salary reduced, and in another district it was discovered that funds earmarked for fertiliser purchases for a certain village had for several years been diverted to other villages.

After the results of the exercise were publicised by the local media, Ungo received many contacts from local

Selemani A. Mgwami makes sure that aid funds are used as intended.



Hululuka Jume (right) has been putting pressure on the local authorities because the construction of a new school building is behind schedule.

MANY CHANNELS FOR IMPROVED PARTICIPATION

- ▶ PETS surveys can be conducted at various levels, with coverage ranging from a single village to a whole country.
- ▶ Surveys can examine entire budgets or focus on specific sectors such as education and health, as in Morogoro Province.
- ▶ Tanzanian CSOs carry out hundreds of PETS surveys every year.
- ▶ The authorities also conduct PETS studies themselves, to help improve the effectiveness and targeting of spending on public services, but they are often very critical towards the surveys conducted by CSOs.
- ▶ PETS surveys first gained prominence in neighbouring Uganda, where it was discovered that 90% of the central government funds earmarked for education during the period 1991–1995 were vanishing before reaching the local level. By 2001 this figure was reduced to 20%.
- ▶ PETS surveys are one of several processes set up to help improve public services, administrative transparency and public participation in decision-making in developing countries.
- ▶ In India a comparable scheme known as Public Service Delivery Assessment (PSDA) has been successfully used to spread good practices since 1993. PSDAs focus on the quality of services rather than quantitative spending levels.

people who wanted to know more about issues including how public funds were used to improve their children's schools.

PUBLIC PRESSURE ENCOURAGED

Some 120 new public notice boards have been set up in connection with public agencies, schools and hospitals, with local authority officials obliged to post information regularly. Villagers like Selemani A. Mgwami have helped to make PETS into a permanent process by checking notice boards and checking that the promised actions are completed.

In practice these active citizens are also working as watchdogs to ensure that Finnish public development cooperation funds are used as intended. As much as a third of Tanzania's national budget is funded by foreign aid. Finland is one of several countries granting budget support to Tanzania.

In Tanzania's centralised system most local public spending depends on national public funds, so a tiny share of Finnish aid could be considered as ending up in Mgwami's village.

Mgwami and his friends have even initiated two court cases on occasions when they have felt cheated. They lost both cases, however, and Mgwami feels the authori-

ties have not yet done much to mend their ways. But the chance to defend your rights and gain access to information represents a great step forward in a country where the authorities used to be obeyed unquestioningly.

Hululuka Jume, a mother of three from Fulwe village, has likewise been encouraged to question the authorities. Jume's middle child has passed the entrance exams for secondary school. A notice on the village notice board stated that funds had been obtained from the regional administration for the construction of a new classroom, and the children's parents have also contributed cash towards the project; but the building is still not ready, even though the school-term should have started four months ago.

"When information is available on the notice board, it's easier to make the authorities accountable," explains Jume.

"The notice boards have been welcomed. People have woken up to the need to make sure they get what they are entitled to, and demand information," says Hamza Y. Mfaunue, Chairman of Morogoro Rural District Council, though he admits that in some villages notice boards have not yet been erected or are not well used. ◀

DEVELOPMENT COOPERATION TAKING A NEW SHAPE

IMPROVING THE EFFECTIVENESS OF AID IS A MAJOR GOAL FOR DONORS IN THE 21ST CENTURY. FINLAND ALSO HAS PLENTY TO DO.

► **THE FINDINGS OF RECENT EU** research indicate that as much as six billion euros of aid funds could be saved annually if all commitments to improve the effectiveness of aid were met.

Finland is among the signatories to the OECD's Paris Declaration and the related Accra agenda for agenda, which both aim to enhance the effectiveness of aid and the sustainability of its outcomes. One guiding principle has been to give developing countries more control and responsibility over their own development. If partner countries cannot choose their own paths to development, the other principles defined for aid effectiveness will not be applicable either.

One immediate goal is to ensure that a larger share of aid is channeled through recipient countries' national budgets. A report conducted in 2008 showed that only 48% of aid met this condition – meaning that most aid funds are used with no supervision from developing countries' own parliaments.

FINNISH AID SLIGHTLY MORE EFFECTIVE THAN AVERAGE

The effectiveness of development cooperation is periodically assessed by the industrialised countries' OECD organisation, whose findings suggest that the effectiveness of Finland's aid is higher than the OECD average.

INTERNATIONAL RULES

The 2005 Paris Declaration on Aid Effectiveness has five main principles.

- 1. Ownership** – Developing countries exercise effective leadership over their development strategies, policies and coordination.
- 2. Alignment** – Donors base their support on partner countries' national development strategies, institutions and procedures. Instead of focusing on projects, developing countries' own budgeting, purchasing and monitoring systems are used.
- 3. Harmonisation** – Costs are reduced by coordinating donors' actions and avoiding the duplication of work.
- 4. Managing for results** – Donors and partner countries manage resources cost-effectively and improve decision-making to achieve results efficiently.
- 5. Mutual Accountability** – Donors and partner countries are accountable for the results of development and for meeting aid commitments.

But Finnish aid could still be improved in this respect. Finland has begun to increase the share of project support in development cooperation, reversing an earlier trend. The OECD points out that aid channelled through bilateral projects is too liable to remain outside national systems, and this can hinder country-level coordination with other stakeholders.

Findings from the most recent monitoring of progress towards the goals of the Paris declaration indicate that many targets will not be reached on schedule by 2010.

BUCKING INTERNATIONAL TRENDS

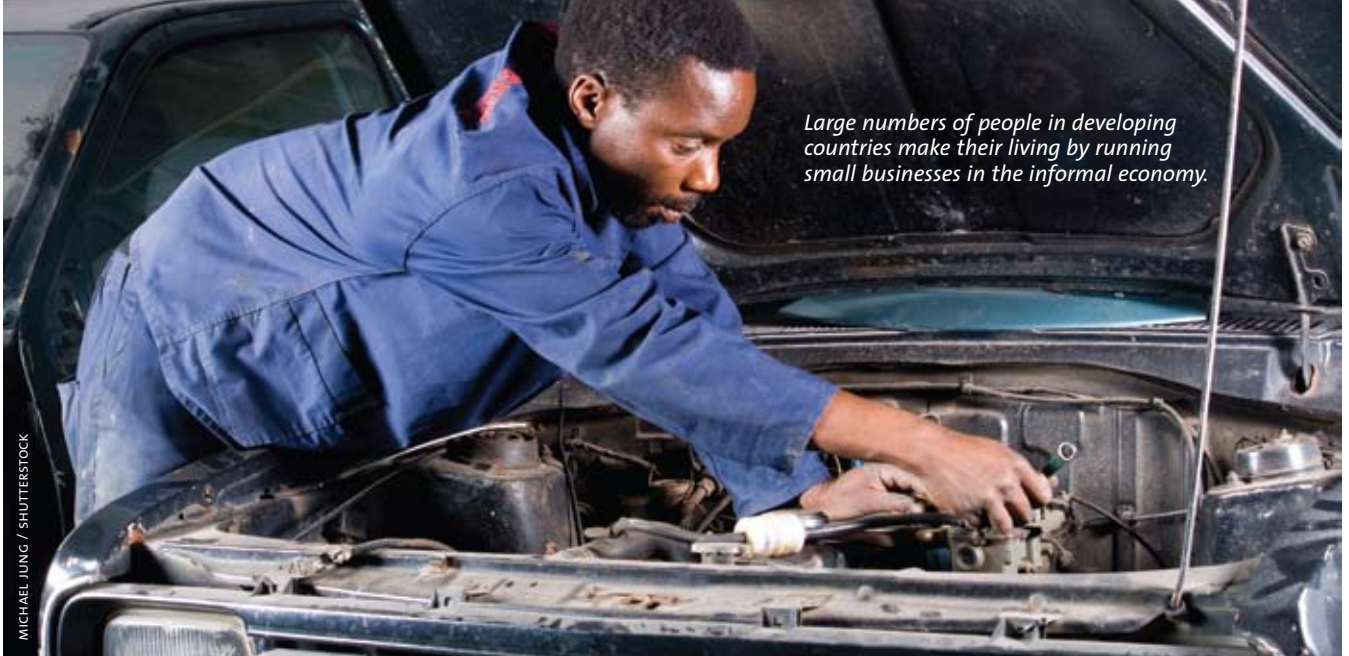
One current trend in international aid is to use local expertise more widely and thus build up recipient countries' capacity. Finland seems to be heading in the other direction, however, as exemplified by the recent tripling in the funds directed to technical aid.

Another Finnish weakness in terms of aid effectiveness concerns the predictability of funding. For the developing countries to plan their development realistically, they must be aware of the resources that will be available. Increases in the amounts of aid channelled through project support make aid more fragmented, and reduce the predictability of future funding levels.

Finland's development cooperation is also administered in a highly centralised way. Discussions as to whether Finnish aid funds should be directed towards education, forestry or support for private sector should be conducted separately for each recipient country. Aid effectiveness is best improved by making decisions according to the specific needs and conditions in each partner country. And for aid as a whole, the overall goal should always be to reduce poverty. ◀

NIINA PITKÄNEN





Large numbers of people in developing countries make their living by running small businesses in the informal economy.

MICHAEL JUNG / SHUTTERSTOCK

ESCAPING POVERTY THROUGH ENTERPRISE

BUILDING UP LOCAL PRODUCTION HAS ALWAYS BEEN A GOAL OF DEVELOPMENT COOPERATION. POVERTY CANNOT BE ELIMINATED WITHOUT THE PRIVATE SECTOR, EMPLOYMENT AND ENTERPRISE.

► **MOST PEOPLE IN DEVELOPING COUNTRIES** make their living through their own enterprise. Where paid work is hard to find, people live from their farming and hand-work skills, or by trading in goods on a small scale. Many developing countries have found that supporting small and medium-sized enterprises is one of the most effective ways to reduce poverty.

Low levels of education and complex administration often hinder enterprise. Improving the conditions for enterprise is one of the main goals of development cooperation. Ways to do this include the provision of microcredit to help individuals start up businesses, improvements in training that enhance workers' skills, and measures to reduce bureaucracy by improving public administration.

Aid donors should aim to complement each other's inputs. International financial institutes can provide loans to fund large infrastructure projects, while civil society organisations can provide microcredit to individuals setting up their own small businesses.

SUPPORT FOR MULTINATIONAL CORPORATIONS MAY BACKFIRE

Aid is also used to support investments made in developing countries. Although foreign investment brings jobs, knowhow and technology, the impacts on the poverty of the majority of the population are often limited. In Tanzania, for instance, less than 3% of financial flows is channeled into agriculture, although this sector employs 80% of the population and accounts for 45% of the national economy.

In the worst cases, support provided for multinational corporations may ruin the prospects for otherwise effective local businesses to succeed, by creating unfair

NEW INTEREST IN ENTERPRISE

The World Trade Organisation (WTO) acknowledged in 2005 that free trade would not reduce poverty in countries that have little to trade. The global food crisis of 2008–2009 made aid donors aware that small-scale farming in developing countries needs to be supported. Support for enterprise in developing countries has subsequently begun to increase again.

There has also been a shift in this direction in Finland. Finnish companies' operations in developing countries are sometimes supported through interest subsidies and the business partnership programme run by Finnpartnership. The Ministry of Employment and the Economy published its own development policy programme in autumn 2009.

competition. Developing countries often grant favourable loans, tax exemptions and even free land to multinational corporations.

CREATING A MORE FAVOURABLE ENVIRONMENT

Competitiveness can only be enhanced where infrastructure is improved, the workforce is healthy and educated, and labour and financial markets function well. Improvements are also often needed in public administration. This means that microcredit or other support for private enterprise cannot alone solve the problems faced by developing countries.

Reforming the environment for investment is a considerable challenge, since it has to involve reshaping public attitudes, working practices and legislation, as well as institutions. One key instrument is the provision of budget support to help governments in developing countries to realise their reform programmes. ◀

TYTTI NAHI



LIUPCO SMOKOVSKI / SHUTTERSTOCK

PROGRESS THROUGH PRIVATE SECTOR INITIATIVES: SMALL PROJECTS PREFERABLE

THE PUBLIC AND PRIVATE SECTORS CAN PROMOTE DEVELOPMENT THROUGH EFFECTIVE COLLABORATION. BUT IF DECISIONS ON PROJECTS ARE MADE BY BIG COMPANIES AND THEIR LOBBYISTS, THE BENEFITS FOR MOST PEOPLE MAY BE LIMITED.

► **THERE IS PLENTY OF SCOPE IN** development cooperation for support for the private sector, which can play a key role in overall national development. In countries with single party systems like Laos and Vietnam, the wide extent of the public sector is often seen as a hindrance to development, and some forms of aid are not as suitable as they would be in more democratic countries.

Ways to overcome such barriers include improving the conditions for private enterprise, and integrating countries more effectively into the global economic system. One increasingly important tool for development cooperation is the creation of public private partnerships (PPPs).

In the Mekong river basin (Cambodia, Laos, Thailand and Vietnam), PPP projects have become more widespread, especially in infrastructural construction schemes. National development plans highlight the importance of infrastructural developments as a way to facilitate trade and the utilisation of natural resources.

FUNDS FROM FINLAND FOR COMBATING CLIMATE CHANGE

At the end of 2009 a new Energy and Environment Partnership programme (EEP) was launched in the Mekong region, with funding from Finland's Ministry for Foreign Affairs and the Nordic Development Fund. The programme aims to help combat climate change. A similar programme has been run in Central America since 2002.

The Mekong EEP Programme supports projects, reports, capacity building and publicity work related to renewable energy. It also promotes PPP collaborations, since projects are realised jointly by the region's businesses, authorities, research institutes and CSOs. Project support is available through the EEP up to a maximum level of 300,000 euros.

The programme aims to increase the use of renewable energy resources in rural areas, particularly among ethnic minorities, while also enhancing energy efficiency, local technologies, financing models and legislation. To ensure effective technology transfer, close collaboration between local applicants and Nordic partners is encouraged.

"Since the sums provided for projects are fairly small, we try to bring technologies closer to local people," says the EEP's technical adviser Ludovic Lacrosse. "We prefer to assist many small projects than a few large projects."

EEPs provide a novel way to work in the Mekong region, where Lacrosse says there has traditionally been a wide gap between economic cooperation and aid projects.

MAJOR PPP PROJECTS: MORE HARM THAN GOOD?

Public-private cooperation does not always bear fruit, however. One of the most important and controversial projects in the Mekong region is the Nam Theun 2 dam in Central Laos.

The construction of the dam was first proposed by the World Bank about 20 years ago, in the form of a PPP project. The dam was delayed due to Asia's financial crisis, but construction commenced in 2005. Nam Theun 2 today generates 995 megawatts of electricity for Thailand and 75 megawatts for Laos.

In terms of the construction and operation of the dam, Nam Theun 2 may have been an effective PPP development project. But in terms of genuine development the scheme's impacts remain unclear or may even have been harmful.

One problem concerns the obsolete technology applied in the project. Western technologies used in the construction of large dams have been exported to the developing countries with the help of export credits. Big



TIMO KURONEN / KEPA

Asian companies are now also cashing in. Firms today are also referring to the need to combat climate change when pressurising governments and funders.

The Government of Laos is involved in project in many ways, which creates confusion. As one of the project's owners it seeks profit, but as a purchaser of electricity from the scheme it also wants cheap prices. At the same time it must also ensure that the hydropower company meets its legal obligations regarding social impacts and environmental protection.

Laos has promised to use profits and tax earnings from the dam for investments in the social sector. But there are no guarantees that benefits will be enjoyed by poor communities. Corruption is a serious problem in Laos, where civil society is not able to hold decision-makers accountable.

Large dams are highly capital-intensive, and tend not to increase local employment after the construction phase. They do, however, result in evacuations and forced resettlement, and also make life harder for people who make their livelihoods from fishing and farming along the dammed rivers. It has been estimated that the Nam Theun 2 project has had negative impacts on as many as 100,000 local people in Laos.

The significance of private investments for developing countries' economies is undeniable. At their best, such schemes can facilitate transfers of the latest technologies and help impoverished people to improve their lives. But in partnerships between the public and private sectors it is important to ensure that development goals are always prioritised over the interests of businesses, so that the poor majority will also gain from the benefits of such cooperation. ◀

MASUD HOSSAIN AND TIMO KURONEN

Small projects can best support the spread of appropriate technologies such as solar panels suitable for homes.

THE MEKONG REGION AND INTERNATIONAL AID

The Mekong region, which consists of Cambodia, Laos, Thailand and Vietnam, has become a significant target region for development aid. The OECD countries provide official development assistance for the region amounting to almost 3 billion euros a year. China and several other Asian countries also donate aid to the region today.

Donors' interest in the region is due to many factors, including a desire to address the development needs of Cambodia, Laos and Vietnam. The region's natural resources are also attractive as a potential source of economic growth and development for the wider region, as well as the Mekong countries themselves. Asia's newly emerging economies also see the Mekong region as an attractive market area.



TONI SANDELL / KEPA

Ronald Quintana runs a workshop in Bluefields, Nicaragua, where five people are employed building small-scale wind turbines.

BUILDING SUSTAINABLE CLIMATE POLICIES FROM GRASSROOTS LEVEL

A CIVIL SOCIETY PROJECT ON NICARAGUA'S CARIBBEAN COAST IS BUILDING WIND TURBINES AND CREATING NEW MODELS FOR LOCAL ENTERPRISE. IN REGIONS WITH POLITICAL PROBLEMS, SMALLER PROJECTS ARE OFTEN THE ONLY CHANNEL AVAILABLE FOR DEVELOPMENT AID.

► **IN MOST DEVELOPING COUNTRIES** official development cooperation is conducted through collaboration with ministries based in capital cities. But due to the political crisis in Nicaragua, many donors are now channeling their aid through separate projects run by civil society organisations (CSOs). This is also true for climate financing.

The Bluenergy organisation exemplifies the way small development projects can address wider issues, such as the need for Nicaragua to find alternatives to oil-based energy production. At the moment Nicaragua exploits just five percent of the renewable energy potential of local resources including wind power, solar energy, hydropower and geothermal energy.

Bluenergy is building wind turbines for local indigenous peoples' communities. Lessons have been learned from past failures, such as donated tractors left to rust because they could not be locally maintained. The turbines are built locally in a workshop located under palm trees on Nicaragua's Caribbean coast.

Their parts are derived from locally available materials. Turbine heads are made of truck wheel-hubs, and blades have been carved from durable local mahogany. Since mahogany trees are now protected due to illegal logging, in future it may be necessary to bring glass fibre from the capital Managua.

"We work with whatever we have available, applying technology and creating practical and sustainable solutions," says Bluenergy founder Guillaume Craig.

EXAMPLES THAT CAN CHANGE NATIONAL POLICIES

CSO projects like Bluenergy show how cooperation at the local level sets examples that could lead to changes at the national level.

The organisation's small wind turbines provide electricity for local communities' schools and health centres. One goal is to set up examples showing how renewable energy can be utilised. Bluenergy is working with the regional authorities to help spread such good practices.

“The government should put funding for renewable energy into the budget,” says Steve Hayes, of the economic commission of Nicaragua’s Autonomous Region of the Southern Caribbean. The regional administration has identified hydropower and wind power as the regions two most important energy sources. The administration also ensures that Bluenergy’s project will be sustainable. “We’re interested in creating renewable energy policies for the regional administration,” adds Hayes.

One member of Bluenergy’s staff works from a small office in the Nicaraguan capital Managua, coordinating the efforts of a group of CSOs to promote renewable energy. The project, which is also supported by Finland, aims to get local renewable energy projects integrated into national electricity grid expansion policies.

ONE-SIZE-FITS-ALL SOLUTIONS ABANDONED

“Over our five years in existence we’ve made a lot of mistakes,” admits Craig. The organisation initially concentrated on constructing renewable energy facilities, neglecting such aspects as training and the greatly differing cultural needs of local communities. Such mistakes are characteristic of development cooperation schemes in multicultural regions with poor transport connections. This learning process and the organisation’s determination to succeed are reflected in the fact that today Bluenergy’s personnel are no longer largely engineers, but social scientists who understand local cultures and speak indigenous languages.

Bluenergy is also keenly addressing the most fundamental problem of development cooperation – that donors think they know more about local needs than aid recipients. A new project may soon be launched in Orinoco, the capital of the local Garifuna people, where planning sessions have been organised with Finnish support to define priorities according to the local community’s needs.

Following this needs analysis, the project was adapted to diversify its focus, which had initially been on the production of renewable energy. Four-fifths of Orinoco’s population make their livelihood from fishing, but the community has no cold storage facilities; and another local problem is young people’s increasing drug use. Measures to address both of these problems were added to the plans.

“Funders are often too short-sighted, and want to see results immediately,” reckons Craig, who believes that more time and funding should be granted for planning, possibly with universities involved. Decisions made in haste in the hope of rapid results often lead to unsustainable outcomes. ◀

TONI SANDELL

LONG-TERM FUNDING NEEDED TO COMBAT CLIMATE CHANGE

CENTRAL AMERICAN GREEN MOVEMENTS INSIST THAT FUNDING FOR MEASURES TO MITIGATE AND ADAPT TO CLIMATE CHANGE SHOULD BE DISTINCT FROM OFFICIAL DEVELOPMENT AID FUNDS, AND MUST BE CHANNELLED THROUGH THE UN AND REGIONAL DEVELOPMENT BANKS INTO THE IMPLEMENTATION OF NATIONAL CLIMATE PLANS.

► **THE CENTRAL AMERICAN COUNTRIES’** climate policy plans primarily address adaptation, since extreme weather events and drought seriously endanger their development plans in many ways.

Practical measures vary from place to place, depending on the risks of natural disasters; but three key themes are water, food security and forests.

Over the last couple of years the Nicaraguan Government has drafted a national climate change strategy. CSOs have criticised the ways the strategy has been created, saying that such a plan should be based on the needs of local communities and created through participatory processes, to ensure that people adopt its measures in their everyday actions.

PREDICTABLE AND SUFFICIENT FUNDING

The CSOs believe that the most suitable forum for the climate debate is the UN. Where banking expertise is

needed, their preferred funding channel is the Inter-American Development Bank. The World Bank has been tarnished through its involvement in so many failed schemes that it is seen as having no credibility on climate issues.

Funding should also be channeled separately from official development aid funds, since the whole issue is unrelated to charity, but instead concerns the ‘climate debt’ owed by the industrialised countries whose actions have led to global warming.

“Funding should be both predictable and sufficient – but at the moment it’s neither of these,” says Alejandro Alemán of the CSO Centro Humboldt. ◀

TONI SANDELL

BASIC INCOME GRANT SCHEME TESTED IN NAMIBIA

A BASIC INCOME GRANT PILOT SCHEME COVERING EVERYONE IN THE VILLAGE OF OTJIVERO PROVIDED WELCOME INCOME AND ENCOURAGED LOCAL ENTERPRISE. BUT MORE LOBBYING IS STILL NEEDED TO SPREAD THE IDEA.

► **THE IRRESISTIBLE SMELL OF FRESH ROLLS** wafts out of a large enamel dish. Frida Nembwaya, 37, bakes 300–350 rolls a day and sells them for one Namibian dollar each (about 0.1 euros). Nembwaya's monthly profit amounts to about 120 euros. All her seven children go to school and are well fed, and there's even a little left over to save.

Three years ago Nembwaya did not have enough capital to set up a business. Even if she had been able to, there would have been no customers. The 200 families who live in her village, Otjivero, are poor. The village is remote, and hardly anyone is in paid employment.



Frida Nembwaya is among those helped by the basic income scheme, which enabled her to set up a small baking business.

TESTING A BIG IDEA

A globally unique basic income grant (BIG) scheme was then launched in Otjivero, providing every villager except pensioners over 60 with 100 Namibian dollars (ten euros) a month for two years. Nembwaya used her cash to buy utensils for baking bread on an open fire. Business boomed, and soon she saved enough to buy an electric oven.

This pilot scheme is the brainwave of the BIG Coalition, which is led by the Namibian Evangelical Lutheran Church, and also involves local CSOs and trade unions. The scheme was mainly funded through donations from Germany.

The coalition hopes that the Namibian Government will expand the scheme to cover the whole country. They reckon that costs would amount to 5.7% of the national budget, with the state reclaiming grants paid out to wealthier citizens through taxes. Many Namibians are well off, as the country has some of the highest levels of income inequality anywhere in the world.

OUTCOMES QUESTIONED

The BIG Coalition's final report on the pilot scheme states that it reduced poverty and malnutrition in Otjivero, while also promoting enterprise and increasing school attendance and the use of health services.

But a heated debate ensued in spring 2010, when the Namibian Economic Policy Research Unit (NEPRU) questioned the BIG Coalition's research methods. President Hifikepunye Pohamba expressed concerns that getting paid without doing any work would encourage people to be lazy.

The BIG Coalition believes the Otjivero scheme proves that the truth is quite different. Though there were few success stories as impressive as Frida Nembwaya's, the Coalition points out that miracles should not be expected from ten euros a month.

"Providing 100 Namibian dollars a month is like planting a seed that will help people to control their own lives," says Coalition spokesman Uhuru Dempers.

The proposed expansion of the BIG idea from Otjivero has also been studied in Finland. Anu Palomäki of Helsinki University is preparing a related thesis for her degree in Development Studies. "Implementing the basic income grant scheme would be extremely difficult politically, since once initiated it would be almost impossible to revoke," she points out.

ACTIVE LOBBYING

Those involved in the project remain convinced of its benefits. "I've been working in projects designed to reduce

poverty for 20 years, and I've never seen such dramatic results in such a short time," says Uhuru Dempers.

Dempers believes the time is right for Namibia's poor to take action themselves. "If the Government doesn't want to implement a basic income scheme, but people want it, they have to demand it," he says. The BIG Coalition is now planning a major campaign of information and lobbying.

Although the Otjivero pilot scheme is officially over, its participants are still receiving monthly grants of 80 Namibian dollars for an indefinite transitional period. This will enable Frida Nembwaya to keep up her baking business at least until the transitional grant period ends

– but after that her clients might no longer be able to afford to buy her rolls.

Nembwaya would like to send a message to President Pohamba: "This project might not be easy to understand, but it works. We have an 18-person committee who advise the villagers how they should use their basic income grants. You shouldn't just sit and wait for the money, but think of ideas for how you can make the money grow," says Nembwaya, who belongs to the committee herself.

Her bakery's name is 'Good life after struggle'. ◀

VEERA VIRMASALO

DEVELOPMENT THROUGH SOCIAL SECURITY

IMPROVEMENTS IN BASIC SOCIAL SECURITY CAN INCREASE THE QUALITY OF LIFE AND PREVENT PEOPLE LIVING NEAR THE POVERTY LINE FROM FALLING DEEPER INTO POVERTY. EVERYONE AGREES ON THE IMPORTANCE OF SOCIAL SECURITY, BUT THERE ARE MANY POSSIBLE INSTRUMENTS. MANY NEW INITIATIVES HAVE BEEN LAUNCHED OVER THE LAST DECADE, ESPECIALLY IN DEVELOPING COUNTRIES.

► **SOCIAL SECURITY ORIGINATED** in Europe, where a system based on workers' insurance payments was set up in the early 20th century. In developing countries, neoliberal economic policies have shrunk the role of the state, and social safety nets have traditionally only been established in response to sudden disasters. But recent economic crises have now forced governments to seek alternatives to such weak and insufficient social security mechanisms.

Social security is today no longer seen as a passive safety net, but as a key to wider social change and a possible solution to poverty and marginalisation.

NEW FORMS OF SOCIAL SECURITY

Over the last ten years many initiatives have been launched in developing countries aiming to enhance social security. Examples include direct and conditional income transfers, school-based nutrition programmes and public sector job guarantee programmes.

Income transfers conditional on children's school attendance have particularly been tested in Latin America. Programmes targeting poor families include Mexico's Oportunidades programme and Brazil's Bolsa Familia. These schemes have clearly increased the use of public health and education services, while also providing vital income for poor households.

In Africa direct income transfers have been tried, including schemes based on child benefit in South Africa and basic income grants in Namibia. The Indian Government's job guarantee programme ensures that workers in rural areas are gainfully employed for at least a hundred days a year.

Aid donors are also increasingly considering ways to improve social security, and several pilot projects have

been launched. The World Bank and the UN have increased their support for social security improvements.

KEEPING COSTS DOWN

Critics fear that poor countries simply cannot afford to set up comprehensive social security mechanisms. But many studies have shown that social assistance distributed through national schemes can actually be more effective and cheaper than costly aid operations.

The International Labour Organisation (ILO) believes that even the poorest countries should be able to set up basic health care, pensions, child benefit and unemployment benefit schemes for their citizens at a cost of 3–10% of their gross national income, with no need for contributions from foreign aid. The ILO also reckons that for less than 2% of gross global income a simple social security scheme could be set up for impoverished people not yet covered by any such system.

Claims that income transfer schemes promote laziness and dependency are turning out to be myths. Instead, such extra cash seems to encourage people to take risks and start up small businesses. With just a little more money people can buy more seeds, fertilisers or tradable goods, and such investments lead to greater incomes and more investments.

Well planned social security initiatives can support the development of the local economy, and also ultimately the national economy. Rather than seeking instant solutions, such schemes aim to help people to establish productive and sustainable livelihoods. ◀

KIRSI SALONEN



NEW LIFE FOR REFUGEE CAMPS

THE UN IS TRYING TO IMPROVE EFFECTIVENESS BY COMBINING THE WORK OF DIFFERENT ORGANISATIONS IN A SINGLE JOINT PROGRAMME. THE RESULTS OF A PILOT PROJECT IN NORTH WESTERN TANZANIA ARE ENCOURAGING.

► **OVER RECENT DECADES** many refugees have flooded into North Western Tanzania from neighbouring countries. Hundreds of thousands of Burundians, Congolese and Rwandans were given temporary homes in the areas around Kigoma and Kagera.

The refugee camps and the massive related humanitarian aid machine increased the demand for local products, services and labour. The camps' health clinics also served local Tanzanian villagers.

A couple of years ago as the refugees began to return to their homelands, most of the camps were closed, and assistance operations were scaled down. This made it harder for local residents to make a living. To ease the transition to new conditions, the Tanzanian Government, the local authorities and 12 UN organisations launched an extensive joint programme.

The buildings in the empty refugee camps were converted into new homes, health centres and schools. The supply of clean water was improved, and local villagers have also gained fertile new farmland.

Local manioc, soya milk and palm oil producers have been trained to use modern technologies and build up their businesses to help them make the most of nearby markets. The future now looks bright.

A NEW, COHERENT UN

This process was in many ways as new to the UN as it was to the local people around Kigoma and Kagera. New working procedures were devised, which all of the UN's country offices are now being asked to adopt over the coming years. These practices involved the designation of a single programme, budget and leader to be shared by all of the various UN organisations which had previously acted according to their own separate programmes.

The aim is to improve coherence, reduce overlap, and better meet partners' needs.

A trial period is presently under way with the concept being tested in eight countries, including Tanzania.

Tanzania's UN programme adviser Tobias Rahm feels that the new system generally works well, even though harmonising the different organisations' routines during the transitional phase has sometimes been a headache. The new single joint programme and budget for Tanzania should be finalised by July 2011.

"It will now be easier for the public sector and CSOs to work with the UN. Common programmes mean that we can agree on an issue through a single meeting, instead of having to go and knock on each organisation's door separately," explains Rahm.

OWNERSHIP A KEY ISSUE FOR THE UN

The key concept behind the "One UN" initiative is ownership. This means that decision-making power and responsibility for development programmes lie with local national governments, and UN activities must follow national priorities.

The programmes for Kigoma and Kagera have likewise been defined together with the local and regional authorities, also listening to the wishes of village communities. Part of the funding for the new public services has come from the national government.

According to Henry Glorieux, who works at the UN office in NW Tanzania, the most important lesson to learn from Kigoma and Kagera could be that a shift towards national ownership has also increased the commitment of municipal and regional officials to a common programme. ◀

HENRI PURJE

Mexico's indigenous Wixarika people have regained control over some of their traditional lands thanks to the unswerving work of local civil society.



CCOS MAKING A DIFFERENCE AT GRASSROOTS LEVEL

WITH LONG-TERM COMMITMENT, THE DEVELOPMENT COOPERATION WORK OF CIVIL SOCIETY ORGANISATIONS CAN BEAR PRECIOUS FRUIT. MEXICO'S WIXARIKA INDIANS HAVE PEACEFULLY RESOLVED LOCAL LAND RIGHTS ISSUES HELPED BY STUDENTS FROM THE UNIVERSITY OF TURKU IN FINLAND.

► **LAND RIGHTS ARE A KEY ISSUE** in the context of equality, justice and development all around the world. In Mexico issues related to indigenous peoples' land rights often involve tragic and violent conflicts. But development cooperation has also led to some success stories.

"Through legal processes the Wixarika have managed to regain rights over 55,000 hectares of land that had been illegally taken from them," says Carlos Chávez, managing director of the CSO Ajagi, which defends the rights of Mexico's indigenous peoples.

"They've got their lands back peacefully, which is exceptional. Behind this success lies the deep commitment of local people to the process, the community's increased awareness of their rights and how to defend them, and support from partners at the local, national and international level," explains Chávez.

Chávez stresses that the new recognition of the Wixarika's land rights will also enable the benefits of development cooperation to be enjoyed by future generations.

HOPE FOR OTHERS

Ajagi has benefitted from cooperation with the Student Union of the University of Turku in faraway Finland. Their support helped the Wixarika Indians to take their land rights struggles through the courts and regain areas that had been illegally appropriated from them. Chávez believes their achievements should give hope to other indigenous peoples seeking to regain their traditional lands through peaceful means.

In addition to land rights, cooperation between the organisations has also focused on the Wixarika's food security, education and employment opportunities. These themes have all been prioritised by the Wixarika themselves as important development issues. ◀

TUULI HAKKARAINEN

FILLING A GAP

CSOs' assets in the context of development cooperation include direct contacts with the people who need support, better opportunities to help the poorest and most marginalised groups, and the potential for working in areas that cannot be reached by national governments. About 10% of Finland's official development aid is currently channeled through CSOs.

The development cooperation work of CSOs gives recipient communities real opportunities to shape their own development, by helping partner countries to reach their development goals using local resources.

Finnish CSOs' work complements the Finnish Government's official development cooperation work by contributing expertise that is in line not only with Finland's official development policy programme – but also more crucially with local development programmes. CSOs' work should therefore be seen as an essential pillar of Finland's development cooperation work.

To enhance development cooperation Finland should:

target aid spending in accordance with local conditions and local people's own endeavors.

reduce the fragmented nature of aid contributions by increasingly targeting the poorest countries and Finland's main development cooperation partner countries.

further empower the developing countries and enable them to take responsibility for their own development by increasing budget support and by helping to give their citizens greater opportunities to influence their governments' policies.

increase its annual budgeted development aid to 0.7% of gross national income by 2015, and provide additional financing to support developing countries address climate change.



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