

Finland is encouraged to continue engaging with development partners through this modality.

Box 5.2. Use of district systems in Nepal’s water and sanitation sector

Finland is an important player in Nepal’s water and sanitation sector, to which it has contributed for about 20 years. Finland currently supports three main projects in this sector. One of these is the Rural Water Supply and Sanitation Support Programme in Western Nepal (RWSSP-WN), a bilateral development co-operation programme with the government of Nepal implemented in nine districts. The programme strengthens the capacity of local governments through training and advice in water supply, sanitation and hygiene promotion. In the districts, the District Development Committees execute the RWSSP-WN program in association with Village Development Committees, user groups and other district-level WASH stakeholders.

Finland contributes to 66% of the programme’s 2008-2012 budget of EUR 14.6 million, but important contributions are also made by the governments of Nepal (23%), communities (6%), Village Development Committees (3%) and District Development Committees (1%), demonstrating ownership of the programme.

The RWSSP-WN is not the only programme that Finland funds by channeling resources to district government. Presently another WASH programme adopts the same approach, with a total of 19 districts being reached by the two programmes. To date some 1 million Nepalese have got drinking water and sanitation financed this way.

Source: Rural Water Supply and Sanitation Support Programme in Western Nepal.

Dealing with an increasing share of tied aid

Tied aid describes official grants or loans that require recipient countries to procure goods and services from companies in the donor country or in a small group of countries. As the cost of both goods and services is usually raised when tied to a given provider⁸, tied aid often prevents recipient countries from receiving value for money for services, goods, or works, benefitting the commercial interests of the development co-operation provider more than local people.

Finland is among the DAC members that have only a small share of their ODA still tied. However, since the last peer review the share of Finland’s tied aid has increased. Finland’s share of tied aid was 7% in 2008 and progressively rose to 15% in 2010. The share of tied aid in Finnish development co-operation derives primarily from the concessional credits to non-priority countries, among which China figures prominently (MFA, 2012g). Vietnam is the only long-term partner country that receives significant concessional credits, where Finland sees a continued role for concessional credits to support a shift from a government-to-government co-operation to a more trade and twinning type of partnership (MFA, 2009).

The 2003 and 2007 peer reviews both recommended that Finland should dismiss its concessional credit scheme. The 2012 evaluation of the Finnish concessional aid instrument commissioned by the MFA highlighted several inefficiencies in the instrument and recommended that the scheme should be phased out (MFA, 2012g). Finland reports that it has started to gradually phase out the concessional credit scheme but, according to the Finnish authorities, a particular challenge will be to identify alternative instruments to engage effectively with the private sector, which is a priority in its new development policy (Chapter 1). This is why Finland is now holding consultations with relevant stakeholders, for example with the Finnish private sector through the newly established