



APPENDIX 1: Key terms of development policy

Development policy refers to activities aimed at reducing global poverty, the realisation of human rights and the promotion of sustainable development. Development policy includes policy influencing by Finland in international organisations and dialogue with representatives of developing countries. Development policy is an integral part of Finland's foreign and security policy.

Development cooperation refers to measures, such as programmes and projects, which are funded with funds allocated to development cooperation in the state budget. Development cooperation is one way of implementing development policy in cooperation with partners such as the governments of developing countries or civil society organisations.

Humanitarian assistance is an independent part of Finland's development policy. It aims to save lives and reduce human suffering during and immediately after crises. Assistance is guided by humanitarian principles of humanity, neutrality, impartiality and independence. Humanitarian assistance is needs-based and is not provided on political, economic or military grounds.

Development funding refers to different forms of funding that implement development policy objectives. These include official development assistance, the developing countries' own tax revenue, as well as domestic and foreign investments. The relative share of official development assistance of all money flow to developing countries has decreased, while the share of other funding has grown. However, development cooperation continues to play a major role, especially in the least developed and in fragile countries: it enables development where no other funding is available, and strengthens the allocation of other financial flows to support the Sustainable Development Goals in difficult and risk-prone circumstances.

Development policy investments are development cooperation in the form of loans and investments, the aim of which is to promote Sustainable Development Goals in developing countries: for example, by supporting their own business activities. Development policy investments support private and public sector projects with development impacts. Loan and investment type of development financing differs from grant-based support in that the capital invested will return with interest in the long term. It also aims to leverage other public or private money to be invested in the same investment item.

Finland's public international climate finance refers to the funding channelled to climate action in developing countries

from development cooperation funds. Climate finance is part of Finland's development and climate policy and thus part of its foreign and security policy. It is part of Finland's extensive climate policy influence, which is conducted nationally, in the EU and globally. Climate finance planning takes into account the objectives of different policy sectors and their impacts on each other. New financing targets will also be examined in the light of development policy objectives other than those related to climate change so that Finland's relatively limited resources produce as many results as possible.

However, by definition, funding recorded as climate finance does not cover all the funding that Finland allocates to climate action in developing countries. This theme has been discussed in more detail in Finland's Plan for the Implementation of Finland's Public International Climate Finance (2022).