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Finnish Aid Policies for Poverty Reduction

Timo Voipio

Working Paper 108

Results of ODI research presented in preliminary
form for discussion and critical comment



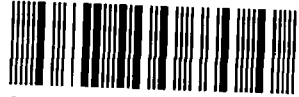
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Overseas Development Institute
Portland House
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Foreword

This paper is one of a series on the experiences of European donors with the use of aid for poverty reduction and is the product of a major research programme involving ten European development research institutes. This programme breaks new ground in its intention to compare and to draw from the collective experience of donors of the European Union and also perhaps in the degree of collaboration involved by European development research centres. Each Institute funded its own participation, with ODI playing a co-ordinating role. The institutes involved were:

Asociación de Investigación y Especialización sobre Temas Ibero Americanos (AIETI), (Madrid);

Centre for Development Research (CDR), Copenhagen;

Centro Studi di Politica Internazionale (CeSPI), Rome;

Deutsches Institut für Entwicklungspolitik/German Development Institute, Berlin;

Développement des Investigations sur l'Adjustment à Long terme (DIAL), Paris;

European Centre for Development Policy Management (ECDPM), Maastricht;

Institute of Development Studies (IDS), Helsinki;

Nordic Africa Institute (NAI), Uppsala;

Overseas Development Institute (ODI), London;

Third World Centre, Catholic University of Nijmegen, Nijmegen.

The objective of the first stage of this research programme was to describe and assess each donor's goals as they relate to bringing the benefits of aid to poor people, and to review each donor's organisation and management to implement this objective. The ten donor agencies are those of Denmark, the European Commission, Finland, France, Germany, Italy, the Netherlands, Spain, Sweden and the UK. A matrix summarising the comparative donor positions will appear later in this series and will

include some observations from the donor studies on the differences and similarities of the various approaches.

The other papers in this series published to date are:

Danish Aid Policies for Poverty Reduction by Lars Udsholt (WP 100, May 1997);
German Aid Policies for Poverty Reduction by Eva Weidnitzer (WP 101, June 1997);
Italian Aid Policies for Poverty Reduction by José Luis Rhi-Sausi and Marco Zupi (WP 102, September 1997);
French Aid Policies for Poverty Reduction by Lionel de Boisdeffre (WP 103, September 1997);
Spanish Aid Policies for Poverty Reduction by Christian Freres and Jesús Corral (WP 104, September 1997); and
Swedish Aid for Poverty Reduction: A History of Policy and Practice by Jerker Carlsson (WP 107, April 1998).

The second stage of the research consists of a series of eight in-country studies to examine the operations of the European donors in pursuit of poverty reduction in Bolivia, Burkina Faso, India, Nepal, Mozambique, Tanzania, Zambia and Zimbabwe. An important part of this work is to evaluate the effectiveness of different types of poverty-related donor interventions. Special attention has been paid to the nature of the processes involved. Collective and comparative experiences of poverty reduction effectiveness will be explored, including any 'best practices', and the main determinants of effectiveness will be examined. These studies will be completed during 1998 and will also be published as ODI *Working Papers*.

I am most grateful for the co-operation of each Institute in this endeavour and for the help of all those donor officials and advisers who have responded to enquiries and interviews by the collaborating researchers. I would like to acknowledge the financial support provided by the former UK Overseas Development Administration, now the Department for International Development, which made possible ODI's contribution to the programme. However, neither they nor any others who have assisted in this programme necessarily agree with the facts presented and the inferences drawn.

John Healey
Overseas Development Institute

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Acronyms

APDF	African Project Development Facility
CAS	Country Assistance Strategy
CG	Consultative Group
CGAP	Consultative Group to Assist the Poorest
CGIAR	Consultative Group for International Agricultural Research
CIDA	Canadian International Development Agency
Danida	Danish Agency for International Development Assistance
DAC	Development assistance committee (OECD)
EIA	Environmental Impact Assessment
FIM	Finnish markka
Finnida	Finnish international development agency (the unofficial brand name of the Department for International Development Co-operation, in the Ministry for Foreign Affairs of Finland)
FIAS	Foreign Investor Advisory Services
GDI	Gender-related development index
GEM	Gender empowerment measure
GNP	Gross National Product
HDI	Human Development Index
HIPC	Highly-indebted poor country
IFC	International Finance Corporation, World Bank
IMF	International Monetary Union
IRDP	Integrated Rural Development Programme
KEPA	Kehitysyhteistyön palvelukeskus (Service Centre for Development Co-operation = umbrella organisation of Finnish NGOs)
KESU	Advisory Board for Relations with Developing Countries, Ministry for Foreign Affairs
logframe	Logical planning framework
NGO	Non-governmental organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PER	Public Expenditure Review
PLA	Participatory Learning and Action, see also PRA.
PPA	Participatory Poverty Assessment
PRA	Participatory Rural Appraisal, see also PLA.
SIDA	Swedish International Development Agency
SAP	Structural Adjustment Programme
SIA	Social Impact Assessment
SPA	Special Programme of Assistance for Africa
UNDP	United Nations Development Programme

WID	Women in development
WB	World Bank

Summary

Abstract

Poverty reduction presents a disturbing dilemma for the Finnish aid administration. Official policy documents always define poverty reduction as the first among the three overarching goals of Finland's development co-operation. Little is known, however, about the poverty-reducing impacts of Finnish aid.

Reactions vary. Many in Finnida have simply stopped talking about poverty reduction. Promotion of democracy, human rights or environmental care are perceived as more easily conceivable goals for Finnish development co-operation, and anyway, as necessary elements of all changes in favour of the poor in any society.

Many within the Finnish aid system admit that Finnida's organisation and procedures are not well geared to the objective of poverty reduction. Some believe that new approaches, information systems and decision-making procedures can be created in order to make Finnida and its staff more sensitive to understanding – and being responsive to – the realities of life of the poor, and to the global and societal processes which create and reproduce poverty. Many more seem to believe (some wistfully) that the story of aid projects with a distinct 'Finnish' character will soon become history. Officially Finland is a strong supporter of recipient ownership and effectively co-ordinated (sector) programme assistance. For a small donor like Finland this will in many cases mean co-financing activities conceived by other donors or the recipient government. In terms of poverty assessments and analyses Finland has for a long time relied on assessments undertaken or commissioned by other donors.

Finnida has few operational directives, working definitions or monitoring mechanisms for poverty reduction in traditional project assistance. For the new emerging modes of aid (sectoral programme assistance, etc.) there are no such instruments. As a consequence, Finnida staff members and consultants are left more or less on their own to interpret how best to promote poverty reduction in Finnida-funded interventions. Many Finnish consultants have done a very good job in individual projects. In multi-donor operations like the preparatory and monitoring processes of sectoral programme assistance, the consultants' role has yet to be defined. The generalist diplomats of Finnida do not have the capacity to contribute meaningfully to the design processes of the national policy strategies of poor countries. The multilateral division of Finnida has been a systematic promoter of pro-poor reforms in the UN and the development banks. But at the Ministry level in

Helsinki, poverty reduction tends to become marginalised by other 'weightier' foreign policy objectives.

Introduction

As described in the Foreword, this report is the result of a desk-study on the poverty orientation of Finland's official development assistance (ODA), part of a collaborative research programme involving ten European development research institutes. This report on Finnish aid is based on a reading of a wide selection of Finnida documents, interviews with over 30 Finnish aid officers and less formal discussions with many more. The author has also been able to make regular participant observations within the Finnida headquarters between February 1996 and November 1997.¹ This method of enquiry has provided valuable insights into certain undocumented aspects of the organisational culture and procedures which may affect the poverty-orientation and effectiveness of Finnish aid.

Compared with the 1980s, there has been a significant shift in the policies and practices of Finnish development aid in the 1990s towards aims and ideals such as 'poverty', 'participation' and 'ownership' (Moore *et al.*, 1996:11). This shift has taken place in the context of substantial transformations in the Finnish economy which expanded very fast in the 1980s but in the early 1990s was seriously shaken by internal and external shocks, resulting in a deep recession and rocketing unemployment. The volume of aid dropped sharply as the impact of the recession was felt. On the surface this would appear to have had purely negative consequences for Finnish aid. A closer look, however, reveals a more complex relationship between the economic crisis and the quality of Finnish aid. The shocks to the aid system seem to have catalysed an ongoing reassessment of aid policies and procedures within Finnida. The number and quality of evaluations and assessments commissioned by the Central Evaluation Unit during the 1990s is impressive. Finnida is therefore now in a position to know its strengths and weaknesses better than ever before. At the same time, the severe cuts in aid volume have damaged Finnida (including its satellites in Finland's Embassies in the South) in organisational terms, and may have impaired its capacity to respond effectively to the constructive self-criticism and new policy initiatives presented in recent years.

This is a critical report. Some readers – especially from within the Finnish aid system – may not be happy with its frank and open style, and may disagree with some of the

¹ As Secretary General of the Advisory Board for Relations with Developing Countries (Kesu) the author has had his office within the premises of Finnida headquarters since February 1996.

conclusions. Comments and discussion are more than welcome. Readers outside Finnish aid ‘circles’ should not, however, ignore the sincere interest of Finnida in improving its performance in poverty reduction, indicated, among other things, by its financial and intellectual support for this piece of research.

‘To reduce poverty in the world’ and ‘to be more effective in poverty reduction’ have no doubt been and will remain fundamental goals and motivations for the whole Finnish aid administration both institutionally and personally. This paper attempts to identify and describe some observed characteristics of the ‘typical Finnida way’ of conceptualising and operationalising poverty reduction. It begins by describing the historical evolution of Finland’s strategy on poverty reduction through aid (Chapter 1). This leads on to identifying the sources and characteristics of Finnida’s present thinking about poverty and its reduction (Chapter 2). Chapter 3 then analyses the kinds of managerial choices Finnida has made to put that thinking into practice in terms of organisation, staff, information and decision-making systems and approaches to project planning, participation, and the roles of women and the disabled. Chapter 4 discusses the country and sectoral allocation of Finland’s bilateral aid, humanitarian assistance, mixed credits and support for NGOs. The next chapter assesses the poverty-orientation of Finland’s contributions to multilateral aid. This is followed by a condensed summary of some of the lessons learned from recent Finnida-commissioned evaluations and a discussion of the willingness and ability of the Finnish aid administration to profit from them. Finally, Chapter 7 provides some concluding perspectives on the relative strengths and limitations of Finland’s aid administration as an instrument in the global campaign against poverty.

Strategy/Concepts

‘Poverty reduction’ (or ‘alleviation’) is not an easily definable concept. Nevertheless, it is the declared main goal, purpose and mission of most international development agencies, including the Department for International Development Co-operation in the Finnish Ministry for Foreign Affairs (Finnida). Since aid agencies use taxpayers’ money, there is a natural need to monitor and assess how effectively their activities do reduce poverty, whose poverty, and in what ways. Some working definitions are therefore necessary, although all definitions inevitably fail to do justice to the complex, multidimensional and subjectively perceptual nature of poverty. Development administrators and researchers use some widely accepted working definitions. According to OECD/DAC (1995a)²:

² DAC uses the term ‘poverty alleviation’ whereas in this joint European comparative study we have decided to use the term ‘poverty reduction’.

Poverty alleviation refers to activities which aim at eliminating the causes of poverty and helping the poor to meet their social and economic needs. Typically, poverty alleviation programmes include components such as income generation, creation of social safety nets and provision of basic social services ... It could be easily argued that poverty alleviation is the objective of all aid. A strict definition is needed on what is considered to be poverty alleviation even for the reporting purposes. The following is one example of setting the criteria:

Primary poverty-reducing aid activities: All projects primarily targeting the poor.

- The poor must be identified in the project proposal along with reasons for their impoverishment.
- The means and the mechanisms through which the benefits reach the poor should also be identified.
- A project is not a poverty alleviation project solely because poor are mentioned in the proposal as beneficiaries. Benefiting the poor should be a target rather than a by-product in order for the project to qualify as a poverty alleviation project.

Secondary poverty-reducing aid activities: All projects for which the poor have been identified as indirectly receiving benefits.

In this EU-wide comparative research programme, our concern is with the operationalisation of the concept 'poverty reduction' (or 'alleviation') by European bilateral donor agencies, plus the European Commission. There seem to be four general criteria for assessing donor effectiveness in relation to poverty reduction (Healey and Cox, 1996):

- i. the *relevance* of the donor agency's goals and aims to poverty reduction;
- ii. the *mechanisms* for translating aims and operational objectives into activities;
- iii. the *extent* to which the individual donor's aims and operational objectives are actually *implemented* in terms of the donor's inputs and outputs;
- iv. the poverty reducing *impact* of the donor's activities on the poor.

Poverty reduction is the first among the three overarching goals of Finland's development co-operation.³ The other two are: to combat environmental threats and to promote empowerment (social equality/democracy/human rights). Finland expects the recipient governments and institutions to show commitment to these same goals. Lack of commitment is regarded as a justification for freezing or terminating the aid relationship.

The combined share of Finnish aid going to the least developed countries (LLDCs) and the low-income countries (LICs) has declined from 92% in the late 1980s to only 59% in 1994/95, and the share of LLDCs alone has declined from 60% in 1987/88 to 34% in 1994-95. (These figures are still at the high end among OECD-DAC donors, however.) The Finnish Government has anyhow reconfirmed its commitment to allocate the major part of Finnish aid to the poorest countries, especially in sub-Saharan Africa (The Cabinet, 1996).

Finnida reports to Parliament on the implementation of these policy goals. According to the government's Annual Aid Report 1995 (Hallitus/Ulkosaainministeriön kehitysyhteistyösasto, 1996) Finland emphasises three key factors in its poverty reduction strategy: a) economic growth (faster than population growth) and pro-poor distribution; b) sufficient investments in people (in basic services such as education, health, clean water, sanitation and nutrition); c) financial services, infrastructure and other factors of production accessible to the poor. According to the government's Decision-in-principle on Finland's development co-operation policy (Cabinet, 1996), poverty reduction requires sustainable economic growth, equitable distribution of income and targeted support to help the poor take part in productive activities.

Beyond these rather general definitions however, Finnida has never established any in-house strategies, working definitions or monitoring mechanisms that could help Finnish aid officers, consultants or their recipient government counterparts to interpret what they are expected to do in order to put this fundamental objective of Finnish development assistance into practise satisfactorily.

According to a 'semi-official' verbal statement: 'Our definitions would not differ much from those of the World Bank and the other OECD-DAC members. Any poverty reduction strategy must consist of: a) broad-based economic growth; b) basic social services; c) empowerment of the poor.'⁴

³ To be precise, poverty reduction is one of the three main goals of Finnish development co-operation. (MFAF, 1993, the Cabinet, 1996).

⁴ Head of Finnida Unit for Advisory Services, Heikki Tuunanen, 9 December 1996.

This definition is almost, but not completely, the same as the World Bank's three-pronged Conceptual Framework for Poverty Reduction, which Finnida economists have been increasingly using in public presentations since October 1997 (see Chart 1). The major difference is in the third prong, where the 'safety net' thinking of the World Bank's Framework perceives the poor as passive objects, whereas the concept 'empowerment of the poor' in Mr Tuunanen's statement suggests that sustainable solutions to poverty should be sought by empowering the poor. This empowerment could take place in a number of ways, e.g. by improving the democratic decision-making procedures and the rule of law, by protecting the poor and marginalised from human rights violations and by reducing the livelihood risks of the poor to such an extent that they themselves can afford to become active in their own development without risking their day-to-day subsistence or that of their families.

Aims/Operational objectives

To implement the poverty reduction objective the Cabinet pledges to support: economic and social reform programmes, human resource development for self-reliance, basic services in education and health (family planning and reproductive health as integrated parts of basic health services), food security by self-reliant agriculture, participation and education of girls and women, and lastly to draw particular attention to the status of disabled people (The Cabinet, 1996).

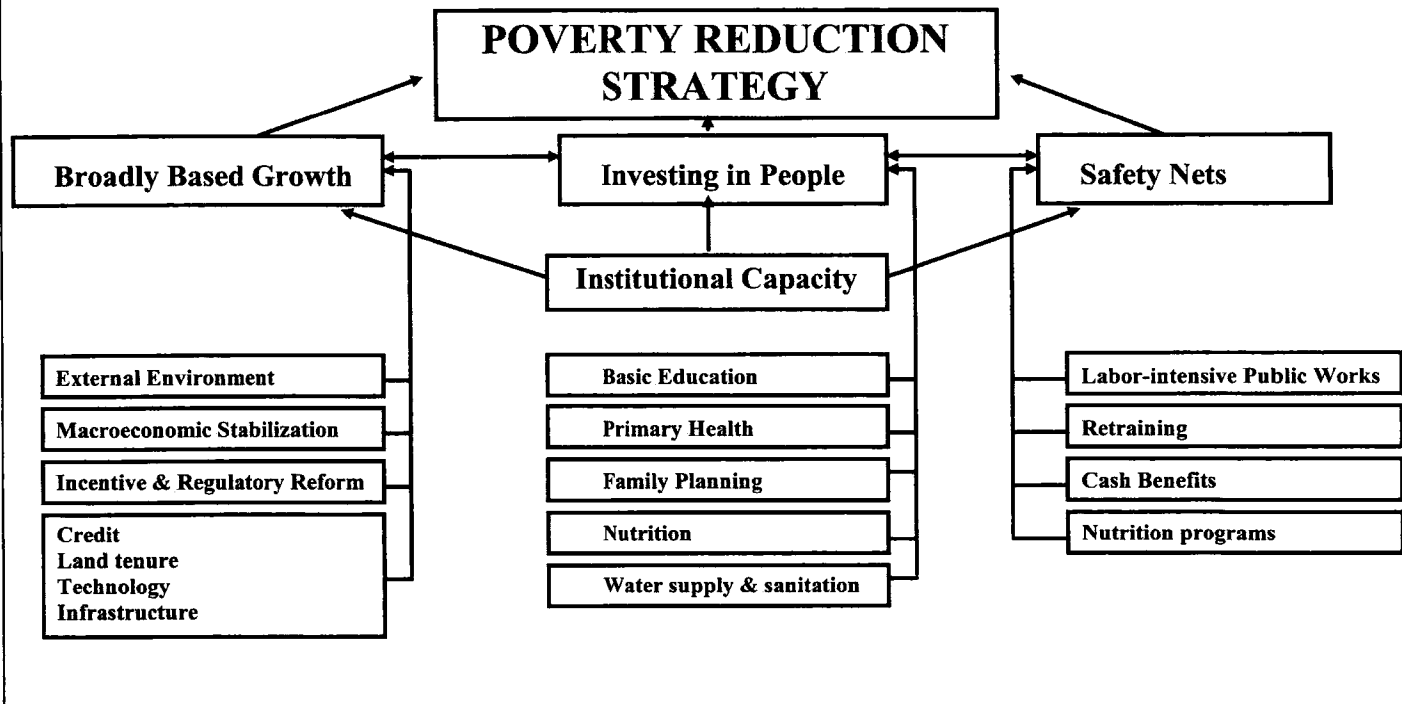
More operational objectives for poverty reduction are seen to depend on the specific causes of poverty in a particular society at a particular historical time. The poverty situation should therefore be analysed in each country strategy and always in the bilateral country negotiations. (In reality, this is seldom done.)

Unresolved differences of opinion exist, however, within Finnida about the relative importance of overall export-led economic growth (and distribution after growth) versus distributive policies and livelihood security (with economic growth as a result of the poor majority daring to take risks in order to strengthen their livelihoods).⁵

Confidence in the poverty-reducing capacity of project aid in general, and aid-funded investments in particular, has declined within the Finnish aid administration. Finnida places growing emphasis on the catalytic role of aid in policy dialogue, especially on human rights, democracy and good governance (fiscal management, broad participation and income distribution), as the precondition for poor country policies in favour of the poor.

⁵ Interviews with several Finnida managers and staff members.

Chart 1 Conceptual Framework for Poverty Reduction, adopted by Finnida from the World Bank, and used increasingly by Finnida in public presentations since October 1997.



Management of implementation

Personnel

The implementation of Finnish bilateral aid is almost completely contracted out to consulting companies. Finnida personnel spend most of their time on paperwork (contracts, financial monitoring etc.) and on co-ordination among donors (OECD, EU, World Bank, UN, Nordic, SPA, etc. levels), and are thus systematically deprived of exposure to and encounters with the realities of life among the poor.⁶

An earlier plan to devolve staff, resources and authority from Helsinki to the Finnish embassies in developing countries was frozen in the early 1990s because of traumatic cuts in Finnish aid budgets. Today decision-making powers are heavily concentrated

in Helsinki, which is highly unsatisfactory from the point of view of the embassies, and leads to a lot of communication problems and bureaucratic inertia.⁷

Up to now the operational guidance, training and incentives provided for Finnida personnel and Finnish consultants to develop their professional skills and to learn more about poverty and poverty reduction have been scanty and weak. In the early 1990s Finnida made some efforts to train its staff in logical framework planning and environmental and gender analysis skills. The circulation of personnel within the Ministry has been rapid, however, and many of the present task managers have no such training. This rapid staff circulation seriously undermines the institutional memory of Finnida in many other ways as well.

In 1997 Finnida developed new intervention design, monitoring and evaluation guidelines. There are plans to start a new round of training for the staff and for

⁶ This is partly the result of a deliberate decision by Finnida in the early 1990s. During the 1980s Finnida desk officers had more frequent contacts with local counterparts and local community leaders in the individual projects and areas supported by Finnida. This caused some confusion and friction, however, between the Finnish consultants and Finnida officers about their relative roles and responsibilities in managing projects. In the early 1990s it was decided that the local management should be left to the consultants and that the desk officers' local presence would be limited to the steering and supervisory board meetings once or twice a year only. The assumption then was that the Finnish embassies in the countries concerned would be given more staff, resources and responsibilities, which never happened (Päivöke, 1997).

⁷ Personal communication with several heads and staff members of Finnish embassies who wish to remain anonymous.

Finnish consultants. Staff have also been asked to indicate their demand for more additional knowledge and professional skills. Interesting plans have been drawn up for applied research on the relationships between development, the environment, culture and human rights as well as on the future of EU-ACP relations. This present 'poverty-research' is also funded by Finnida, in the expectation that it will provide useful food for thought and new ideas for Finnida to become increasingly effective in reducing poverty. Very recently, IDS-Helsinki has been commissioned to perform a bridge-building function between academic development research and the concrete information needs of Finnida officers.

Country programming

Finnida requires the bilateral country programmes to meet the three overall objectives of Finnish aid (poverty reduction, environmental protection and equality/democracy/human rights). The composition of the country programmes has clearly been changing in the past few years away from capital development sectors (forestry, energy, telecommunications, etc.) towards 'softer' social sectors: the environment, women, democracy, good governance, education, health.

A very recent tendency in the country programming is the preference for co-financing multi-donor programmes, (e.g. sectoral development programmes) rather than funding individual projects with a clear 'Finnida-identity'. In co-financed activities, which should ideally be integral parts of the recipient government's own sectoral strategies, Finland does not have the opportunity to dictate unilaterally how the activity is to contribute to poverty reduction. However, an individual donor like Finland still has the freedom to co-finance only such programmes as it considers likely to achieve the objective of poverty reduction. To make an impact on negotiations about the substance of such nation-wide sectoral policy reform programmes a donor needs new kinds of policy expertise, negotiating skills and flexibility in decision-making.

Partly for these reasons the Government's Decision-in-principle recommends that Finnida should increase the flexibility of country programming of Finnish aid. However, a heavy concentration of decision-making in Helsinki has disempowered the relevant embassies, causing highly inflexible, slow and bureaucratic decision-making in country programming. The role of Finnish consultants in the new multi-donor modes of aid also still remains to be defined. The 15 permanent Finnida staff members in the various recipient country embassies will not have the capacity to take part in all the planning, monitoring and co-ordination processes with other donors and representative of the recipient governments. Without substantial support and advice from experts the generalist Finnish diplomats will not be competent to influence

strategic discussions about agricultural insurance policies, teacher training policies or cost-sharing arrangements in health care centres meaningfully.

Channels/Instruments

Projects

A growing proportion of Finnish-funded projects are planned by means of an open-ended process. There have been a number of encouraging experiences of intensive participation of poor beneficiaries and local-level institutions in intervention planning, decision-making, implementation, monitoring and evaluation.⁸

Participatory socio-economic analyses (poverty assessments) are sometimes undertaken as part of the open-ended participatory planning processes, but not systematically in all projects. A lot depends on the supporting agency (consultancy company), since Finnida has no in-house standards, guidelines or formats for poverty assessments.

Finnida's in-house management information system ('project interpreter') requires quality markers 'poverty specific', 'poverty-relevant' or 'not applicable' to be recorded for each new intervention. But this information is of little value, since the poverty orientation is assessed only once in the lifetime of any intervention, i.e. before the project spending starts.⁹

The new Finnida intervention design, monitoring and evaluation guidelines (MFAF, 1997a) are more sensitive to poverty reduction, participation and other sustainability factors than the old guidelines (Finnida, 1991). There are plans to complement the new guidelines with new user-friendly operational tools (check-lists, standard formats for terms of reference, contracts, etc.) which would automatise systematic assessment

* E.g. the following projects have been mentioned by various Finnida representatives as encouraging examples of participatory approaches: FADES local government support and the Region V livestock project in Nicaragua; RIPS rural integrated programme (Mtwara-Lindi), East-Usambara forest conservation and Zanzibar forestry in Tanzania; Lumbini water in Nepal; Amhara water, Selale smallholder dairy and Lalibela town planning in Ethiopia; Western Kenya water, basic health and livestock projects; Ohangwena water in Namibia; Luapula rural livelihoods in Zambia; Beni Suelf health in Egypt; Savannakhet forestry in Laos; Bac Kan forestry and the new rural integrated project in a poor rural region, Quang Tri, in Vietnam; and the regional forestry project in Central America.

* This is a problem common to most OECD donors' project data bases.

of the impact of interventions on poverty reduction, the environment, equality/democracy/ human rights and other sustainability factors.¹⁰

Programme aid

For a long time Finland was more reserved than many others about giving programme aid (block grants for import support, balance-of-payment support, etc.).¹¹ The counterpart funds of large fertiliser grants have sometimes been used for pro-poor social sector purposes. At the moment Finland is committed to 'single-country strategy' thinking, as conceived in the frameworks of OECD-DAC and the SPA¹². It is also very interested in and positive about intensive donor co-ordination and joint financing of sectoral reform (sectoral development, sectoral investment) programmes in pro-poor sectors like education, health, forestry, agriculture etc. Development of the fiscal management systems of poor country governments at central and local levels is a precondition for Finland's financing of such sectoral programmes. Finland acknowledges the importance of debt relief, and has reserved some (small) funds for supporting the HIPC-initiative through the World Bank Trust Fund.¹³

NGOs as a channel of Finnish aid

According to a recent evaluation, there is no systematic evidence to support the proposition that NGOs' work would always be more effective than that of Finnida in reducing poverty. NGOs have, however, been better at reaching the poorest strata of the population in recipient countries. Finnish NGOs have to a large extent focused – and achieved remarkable results – in the social sector. Some 4-9% of Finnish ODA has been channelled through NGOs, but the government committed itself in the 1996

¹⁰ The more experienced Finnida officers still have some standard formats and check-lists left in their files from the 1980s or early 1990s, but many of the newcomers with no access to such working tools have high hopes that the planned new formats and check-lists, pre-programmed into the Finnida computer systems, will be of great help in their work (personal communication) .

¹¹ See e.g. Porvali *et al.* (1995), pp. 125, 145 and 180; Ulkoasiainministeriö (1995), pp. 59-61, and OECD-DAC (1997), Table 26 (p. A43-44).

¹² DAC is the Development Assistance Committee of the OECD; SPA is the Special Programme of Assistance for Africa, a joint learning and co-ordination effort of the World Bank, the African Development Bank, the European Commission and 17 bilateral donors.

¹³ About US\$12 m. for 1998-2000 (Ulkoasiainministeriö, 1997c).

Decision-in-principle to gradually increasing the assistance channelled through NGOs to 10-15% of the budget for 'development co-operation proper' (ie. Finnida budgets).

Multilateral channels

At the EU level (e.g. in the post-Lomé negotiations) Finland stresses that poverty, rather than former colonial ties with some EU member states should be the decisive eligibility criterion for developing countries seeking EU aid (Ulkoasiainministeriö, 1997a; MFAF, 1997a).

At the United Nations, Finland, together with the other Nordic countries, has been a strong and constructive promoter of reforms within the whole UN economic and social sector. The main aim of these proposals has been to make the UN and its specialised agencies more efficient and effective instruments in global poverty reduction and in implementing the other important objectives as defined by the UN Conferences during the 1990s.

The Finnida Unit for International Financial Institutions has prepared detailed plans for promoting the poverty orientation of the World Bank's operations – and for learning from the Bank's experiences – during the 3-year period (1997-2000) when there is a Finnish representative voting on behalf of the Nordic-Baltic group in the Executive Board of the Bank, and Finland has the responsibility for co-ordinating the voting group's work.¹⁴

Finland takes an active part in the SPA working group on poverty and social policy. There is a keen interest in Finnida supporting 'banking for the poor', i.e. micro saving and credit institutions.¹⁵

Trends and new innovations in the 1990s

The 1996 Decision-in-principle emphasised development co-operation as an integral part of Finland's foreign policy. The policy document also reflected the emerging – but seldom explicitly expressed – thinking, widely shared by the leaders of Finnish

¹⁴ Co-ordination is formally the mandate of the Finnish Ministry of Finance, but on issues related to the Bank's lending window for low-income countries (IDA) the Ministry for Foreign Affairs (Finnida) has the main responsibility.

¹⁵ A new adviser's post for microsavings and credits was created by the Minister for Development Co-operation, Mr Pekka Haavisto, in 1997.

foreign policy, which now admits that the project mode of aid does not – and is not going to – work.¹⁶ The optimistic side of this pessimistic notion seems to be that, with or without projects, Finland's political dialogue with all independent states, including the poorest, is going to continue. The goal of poverty reduction does not need to die out with the withering away of project thinking: the idea now is that by promoting human rights, democratic principles, the rule of law and sound fiscal management in developing countries Finland (together with the other donors) could help to empower the local poor to fight for their rights, the private sector to act efficiently and the authorities of developing countries to perform their duties with integrity. Many in the Finnida leadership now believe that such support could be an even more effective way of reducing poverty in poor countries than donor-driven investment projects (see, for example, Kehitysuutiset, 30 October 1997 pp. 2-3).

The principle of policy conditionality is a logical continuation of this new thinking, and a new catchword of Finland's (and many other donor countries') development aid policies (*ibid.*). This means that the volume of Finland's aid allocations to developing countries will be (at least partly) determined by its judgement about, for example, the soundness of the recipient government's economic and environmental policies, its compliance with international conventions against child labour, its human rights record and the strictness of its anti-corruption policies, etc. This new 'political' nature of Finland's aid relationships is probably one of the reasons why the foreign policy leadership has wanted to discontinue the use of the name 'Finnida' for the Finnish aid administration, and to emphasise that it is in fact one of the departments of the Ministry for Foreign Affairs.

The value of these 'good governance' virtues is widely understood by the whole Finnish aid community. The Advisory Board for Relations with Developing Countries has, however, raised doubts about the flexibility of the Ministry in adapting the principles of aid conditionality to suit Finland's interests in every situation. With small and insignificant trading partners like Zambia and Zanzibar, Finland has applied strong conditionality. With a medium-sized partner like Kenya the conditionality has been more moderate. With large trading partners like China and Indonesia Finland has been hesitant to risk its commercial interests, and has therefore applied hardly any conditionality.

Finland is also painfully aware of the problems of supply-driven aid and donor competition. It is therefore a keen supporter of the latest OECD-DAC aid strategy document ('Shaping the 21st Century'), and especially of its nation of 'single country

¹⁶ E.g. Mr Jorma Paukku has explicitly forecast that the era of development co-operation as projects will soon be history. Mrs Marjatta Rasi, the Director General of Finnida, made a similar statement in a personal communication with the author.

strategies'. The idea is that the recipient country parliament and government should be the ones to decide the sectoral strategies and the contents of the sectoral reform and development programmes. The donors should be able, first, to adapt their country strategies and procedures to suit the well justified and documented needs and plans expressed by the developing country concerned, and secondly, to co-ordinate among themselves so that unnecessary conflicting or overlapping activities can be screened out.

The proportion of mixed export credits in Finland's total aid spending grew fast (to 12%) as all other budget lines suffered from dramatic cuts in the early 1990s. The OECD level agreements (Helsinki package) and the strong and consistent opposition of the domestic aid constituency have since forced the government to limit the share of mixed credits to 4-6% of the total aid budget. In the 1996 Decision-in-principle the present government further underlined the trade-distorting characteristics of the concealed export subsidies and required that the Ministry should be active at the OECD level in seeking an end to the use of mixed credits as an instrument of development co-operation. As long as there is no agreement at the OECD level to ban them, Finland will allocate a maximum of 4-6% of its ODA to mixed credits, with a major part of this devoted to social and environmental development purposes. The government is committed to seeking coherence in all its relations with developing countries:

The objectives of Finnish development co-operation policy should be treated as a coherent whole in which the objectives of the various policy sectors are in harmony. EU procedure also requires political issues, trade policy and development co-operation to be treated as a single entity. In order to attain these goals, the government will:

lay down a comprehensive strategy of Finnish relations with developing countries in 1997, setting common objectives for different relations...(Cabinet, 1996: 2)

It has, however, turned out to be difficult to perceive the linkages and synergies between aid, trade, policy dialogue (bilateral/multilateral) plus the pro-poor policy changes required in domestic and EU policies. For over a decade Finnida has sought guidance for the 'correctness' of its policies more from the World Bank, the SPA and the OECD than from the Finnish Parliament, the rest of the Finnish government or from Finnish society in general. The search for coherence will force Finnida to open windows again to the rest of Finnish society as well. This process has already started: Finnida has sought dialogue and co-operation with other ministries, and has received a surprising number of useful contributions to enrich the aid professionals' and diplomats' thinking. The Advisory Board has already prepared an initial position paper, mapping out the broad framework of Finland's relations with the developing

countries, and suggesting that domestic (and EU-level) energy, agriculture, social welfare, trade, transport, etc. policies should also be analysed to find out their synergies or inconsistencies with the goals of Finland's relations with developing countries, e.g. the reduction of poverty among the poorest.

Effectiveness

Poverty reduction inputs and expenditures

According to data collected from the management information data-base ('project-interpreter') two-thirds of Finnish aid interventions and 78% of spending in 1995 were intended to be either 'poverty specific' or 'poverty relevant'. 46% of projects, or 54% of spending, were classified as 'poverty specific', a definition which is roughly the same as the OECD-DAC definition for 'primarily poverty oriented' projects. These data are, however, unreliable since no unambiguous criteria exist for judging the poverty specificity or relevance of a given intervention. The classification thus depends on the arbitrary judgement of the desk-officer in charge.

Expenditure on social infrastructure and services amounted to 17% of total Finnish aid spending in 1992/93 (DAC average 21%). The share of humanitarian assistance in Finland's aid budget was 14% (DAC average 3%), (OECD-DAC, 1997).

Lessons from evaluations

In the 1990s Finnida has made tremendous strides in improving its own capability in assessing aid effectiveness. The number and quality of evaluations and assessments produced in recent years are impressive (OECD-DAC, 1995b). Most noteworthy among the Central Evaluation Unit's evaluations are *Effects of Impacts?* (a synthesis study of all evaluations commissioned by Finnida 1988-95) (Koponen and Mattila Wiro, 1996: 1), the *Ownership-evaluation* (Moore *et al.*, 1996: 3), the Tanzania country programme evaluation (Porvali *et al.*, 1996: 3), the evaluation of the NGO support program (Riddell *et al.*, 1994: 1) and the evaluation of the Finnish volunteer program (Wilson *et al.*, 1995: 3) as well as the evaluations of the Finnish mixed credit scheme (van der Windt *et al.*, 1992: 1) the Finnfund (van der Windt *et al.*, 1992: 3) and the Finnish humanitarian aid programme (Nyholm *et al.*, 1996:2), and a comparative evaluation of Finland's and EU's development co-operation (Harstad *et al.*, 1995: 2). The most interesting ongoing evaluations are the 'culture', the 'environment' and the 'poverty' evaluations (the last planned to start in 1998 as a forward-looking evaluation to begin where this current European-wide comparative poverty research ends.)

Some of the main lessons learned from the evaluations are summarised in Table 1. Many lessons have therefore been absorbed from evaluations. However, a recent interview survey (Finnconsult, 1997) among Finnida management staff and the reference groups disclosed that, in contrast to the operational-level officers who find the evaluation reports very useful, the top management of Finnida holds the evaluations in low regard, and consequently seldom reads the reports, and seldom feels the responsibility to react to the evaluation findings in any other way than to try to kill them off by silence. The interviews suggested that the management perceived the evaluation function as a control mechanism, whereas the majority of operational staff regarded it as an in-built learning mechanism and management tool.

Table 1 Some of the main lessons learned from Finnida-commissioned aid evaluations

Evaluation	Lessons learned by Finnida
Finland's Mixed Credit Programme	<ul style="list-style-type: none"> - Mixed credits have diverted Finnish aid away from the poor and least developed countries; - Mixed credits have been a surprisingly inefficient export promotion tool.
Finland's long-term aid relationship with Tanzania	<ul style="list-style-type: none"> - The policy environment has been the single most important factor influencing the success or failure of projects. - The Finnish approach to poverty reduction has been based on the 'trickle-down' effect, which has proved to be an inefficient approach. - While poverty is concentrated in rural areas the Finnish programme has had a strong urban bias. - The industrial development projects of the 1970s have shown the most disappointing results. - Recently there have been clear indications of a strengthened focus on poverty reduction: e.g. the integrated rural programme RIPS. The long-term commitment to Mtwara-Lindi, a poor corner of Tanzania, indicates Finland's poverty focus. - In the future the starting point should be that the poorer segment of the population should be treated not as a marginal group in need of a social safety net but as a resource with the potential to lift themselves out of poverty and to maintain social services. - Well planned project aid should be the main instrument in the future^a.
NGO support programme and the Finnish volunteer programme	<ul style="list-style-type: none"> - There is little evidence that NGO aid is more effective than government aid. - However, NGOs have clearly been better at reaching the poorest population groups. - NGOs' biggest problems are their unsystematic mode of operation and poor documentation of experiences. - Gap-filling is not a meaningful role for Finnish volunteers - The NGO-umbrella and volunteer organisation should concentrate more on campaigning on North-South issues, and on making the 'Voice of the South' heard in the North, rather than on traditional project work.
The 'Ownership' evaluation	<ul style="list-style-type: none"> - Many improvements have taken place within Finnida in the 1990s: participation, logical planning, gender, environment. - Still, the organisation has not yet become a reflexive, learning organisation. - Poor in-house working definitions and organisational culture. - Power and resources should be delegated to embassies in developing countries. - There are problems in the consultancy mode of development co-operation, and with the rapid circulation of Finnida staff, leading to weak institutional memory.
Effects or Impacts - Synthesis study of 165 evaluation reports commissioned by Finnida 1988-95	<ul style="list-style-type: none"> - Finnida-funded projects have been effective in producing the outputs defined in the project documents or terms of references. Very little is known, however, about their long-term impacts. - One of the most serious problems has been the inadequate understanding of the operational environment of the projects (socio-economic, cultural, historical). - Among problems have been: donor-driven aid relationship, top-down planning, parallel project organisations instead of the promotion of local democratic structures, dependence on imported technologies. - The gender-sensitivity, environmental sustainability and participatory approaches of Finnish-funded projects have improved markedly during recent years. - Participatory approaches should be used, and Finnish-funded projects should be integrated into local institutional structures. - Cost-efficiency must be improved, even at the cost of fewer supplies and experts from Finland.

Note: ^a This recommendation has been largely ignored by some of the leaders of Finnida, who have strongly advocated an almost total termination of the project mode of aid, in favour of sectoral and programme support.

In 1991 Finnida published project planning guidelines, introducing the idea of a logical planning framework¹⁷ and emphasising the need for diverse and thorough background and baseline analyses. High-quality operational papers on gender in connection with agriculture, forestry and water supply and sanitation were prepared in 1994-95 and have since been widely used by officers and consultants. The new planning, monitoring and evaluation guidelines (1997) use the same logical planning framework as the Project Cycle Management method of the European Commission, and help those responsible for planning, monitoring and evaluation to assess systematically the potential or actual sustainability of the intervention and its consistency with the strategic objectives of Finnish development co-operation (including poverty reduction.)

Perceived problems or constraints

Finnida's poverty reduction strategy seems clear to a few key persons, but somewhat vague and far from universal for most members of the organisation as long as no written poverty reduction strategy or working definitions are available.¹⁸

The deficient logical frameworks have been criticised as being straitjackets that lead the consultants (support agencies) to focus on the achievement of predetermined output targets rather than sustainable long-term poverty-reducing impacts (Koponen and Mattila-Wiro, 1996). Finnish field-level consultants have a remarkable store of knowledge, but seldom dare to speak out on Finnida policies or procedures, since 'trouble-makers' seldom obtain new contracts.¹⁹

Some embassy officers, field-level consultants and development researchers²⁰ complain that the headquarters staff, especially at the management level, have very

¹⁷ One of the rare 'living archives' of Finnida, Mr Jorma Paukku, however, remembers that the idea of logical framework planning was first introduced in Finnida as early as the late 1970s, only to be silenced to death by the management. The idea popped up again in the early 1980s, through the Finnida evaluation unit (then headed by Mr Paukku). In the mid-1980s it was the main task of the evaluation unit to train Finnida staff and Finnish consultants to use the new project planning, monitoring and evaluation guidelines, which were based on a logical framework of hierarchical objectives (personal communication).

¹⁸ Interviews and discussions with several Finnida staff.

¹⁹ Personal communication with several consultants, who wish to remain anonymous.

²⁰ The informants wish to remain anonymous.

superficial personal exposure to and experiences of the realities of life of the poor in poor countries. One gets the impression that for many of the top managers, the main concern is to get Finland's policy wording 'right' (i.e. as close to DAC/SPA/World Bank standards as possible). Some critics feel that the fashionable slogan 'Aid as a part of Finland's foreign policy' means that it is Finland's pro-poor image (mainly among the other donors), rather than the real impact (e.g. in terms of poverty reduction in poor countries), that counts for the foreign affairs leadership.

The other 'trendy' foreign policy slogan of 'extending Finland's contact surface' (spreading aid thinly to many recipients rather than concentrating on long-term relationships and quality assistance in a smaller number of partner countries) stands in conflict with the evaluation evidence of the preconditions for quality aid: namely sufficient numbers of country-based staff and a deeper and broader understanding of the political, social, environmental, cultural and economic dynamics affecting the workings and outcomes of Finnish aid in a partner country (Koponen and Mattila-Wiro, 1996).²¹

Coherence of policies

The Parliamentary Advisory Board for Relations with Developing Countries (1996) has emphasised that poor countries need Finland's assistance not only in aid projects and programmes, but also in multilateral trade, debt and environmental negotiations (e.g. WTO, HIPC, post-UNCED 1992) to enable them to release their resources for strengthening their own national economies to the maximum. In the same statement the Advisory Board also emphasised that:

...In order to reduce poverty in the poor countries, it is necessary first and foremost to strengthen the underpinnings of poor people's existing means of livelihood. Reduction of the survival risks of poor people can be expected to result in economic growth, as the poor dare to take risks,

²¹ The active desire of Finnish diplomats to extend Finland's contact surface beyond what Finnida can realistically manage, has been explained by some informants as a backlash to the hidden traumas of Finnish foreign policy during the Cold War years. For a long time the guiding principle of Finland's foreign policy was to remain neutral in all issues where there was a conflict of interests between the two superpowers. This policy also limited Finland's selection of development partners in the South. Now, after the end of the Cold War, such limitations no longer exist. Some Finnish diplomats would like to celebrate this historical change by establishing not only diplomatic but also aid relationships with as many governments as possible. The manageability of such an array of aid relationships seems, for some, to be a lower priority. (Personal communication from informants who wish to remain anonymous.)

promote their enterprises and expand their personal economies. The major means of enhancing social security among the poor is to secure the resources (health, security, skills, knowledge, social networks, cultural heritage, etc.) and rights (land, water, credits, participation, etc.) of poor people. In practice this could, in addition to support directed towards education and health, also mean strengthening the possibilities for self-supporting food production and subsidiary income-earning activities, for instance, by promoting applied agricultural research or ecologically and socially sustainable diversified use of forests, water systems and natural resources.

Such coherence of pro-poor policies is still only a distant goal in Finland's relations with developing countries. Coherence has, however, become a topical issue in Finland today. There are plans in the Ministry for Foreign Affairs to merge all three operational Departments, i.e. the Political Department, the Department of External Trade and the Department of International Development Co-operation (Finnida) into one, and to set up geographical divisions to handle the political, commercial and development issues of each geographical region in a coherent and co-ordinated manner. In theory, this holds some promise for poverty reduction, but there are no guarantees, since the merging of organisations does not automatically mean more willingness to consider poor countries' and poor people's interests. In the discussions about the proposed reform within the Ministry, the question of how the organisation could be made more efficient and effective in reducing poverty has been almost completely absent.²²

Nevertheless, it is fair to say that the volume of Finnish aid is growing slowly, and that contents are changing towards a pro-poor direction. Rapid circulation of senior and junior staff is a risk factor. Any potential in-house consensus in Finnida about the 'Finnida approach to poverty reduction' runs the risk of evaporating into thin air as soon as the postings roulette rotates, as long as in-house guidelines, working definitions and monitoring criteria do not exist in clear writing and user-friendly computer formats on everyone's computer screen.

²² The Finnida division for multilateral co-operation has been active in monitoring and influencing the ongoing organisational reforms within the World Bank, the UNDP and the UN. In these reform processes one of the main questions has been, how these multilateral organisations can become more efficient and effective tools for reducing poverty in the world. Finland and the other Nordic countries have contributed to these reform processes with several innovative and constructive ideas and with active diplomacy. Some staff members of the multilateral division wonder why these questions are not considered when the Finnish Ministry tries to reform its own organisational structures and procedures.

Author's conclusion: realistic ambition levels, brave selectivity and a devolution of authority and resources to a smaller number of Finnish embassies or regional offices in the South could help.

1. Historical Evolution of Finland's Strategy on Poverty Reduction through Aid

1.1 Forty years of Finnish aid

Finland has had a development aid programme financed from public funds for almost forty years now. Throughout this period, most citizens have thought that poverty reduction in the poorest countries (or 'bridging the *development, modernization* and/or *welfare* gap between *us* and *them*') is the fundamental reason why Finnish tax-payers' money is being transferred to the tropics. This intuitive but seldom documented perception has been shared by most civil servants in the Finnish aid administration. The top foreign policy leadership, however, has had other motivations for aid as well.

There is no comprehensive Act of Parliament with regard to development co-operation or its administration. Official development co-operation policy has emerged over the years from a large number of individual policy statements and budget memoranda by Parliament, by government, by specific State Commissions or Advisory Boards (for development co-operation and wider relations with developing countries), and by expert groups or 'one-man committees' appointed by the government or the Ministry for Foreign Affairs.

Finland has never been an economic or colonial power.²³ On the contrary, the experience of having been a poor peripheral commodity producer and a colony (of Sweden till 1809 and of Russia 1809-1917) has not entirely disappeared from the nation's collective memory. More than many other European people, the Finns still have memories of ancestors who lived in poverty and/or starved to death during the last Great Finnish Famine in 1866-68 or during the civil war of 1918, or more recent personal memories from the 1960s and 1970s when hundreds of thousands fled the

²³ This statement is true if absolute GNP or trading power is used as a measure. However, in GNP per capita terms or in terms of various human development indices Finland came to rank among the most prosperous nations in the late 1980s and early 1990s. The phenomenal economic decline since 1991 returned it (temporarily?) to the second rank of economic powers. At the end of the 1990s the Finnish Economy is growing rapidly again, and it is back at the top of the ranking lists of the world's most competitive and technologically advanced economies. Also, Finnish social policies have been relatively successful: despite relatively high unemployment rates (about 12% in 1998) the incidence of poverty is one of the lowest among the countries of the world; also the distribution of income more even, the rate of corruption lower, and the proportion of women in decision-making positions higher.

poverty of the 'traditional' smallholder farms in rural northern and eastern parts of the country seeking less insecure and more 'modern' livelihoods in the towns of southern Finland or in the more prosperous neighbouring country Sweden. The national mentality of peripheral dependency has been one of the components contributing to the strong Finnish sympathy for the liberation and nation building struggles of young African (and Asian) states in the 1960s and 1970s, and to Finnish willingness to target its aid on the remote, marginal rural areas of poor developing countries.

The beginning of Finland's development co-operation in the mid-1950s and early 1960s was, however, motivated more by the foreign policy objective of convincing the rest of the world that Finland belongs to the group of Western industrial welfare states, and that it wants – and can afford to – participate in international co-operation, especially within the framework of the United Nations and alongside its Nordic neighbours, Sweden, Norway and Denmark.²⁴

Box 1 Unintentional poverty focus

'Poverty reduction' has been rather too obvious a goal for Finnish development aid over the decades to be always mentioned explicitly in the official documents of bilateral country negotiations or project plans. 'In principle, everything we do aims at reducing poverty' was a frequent reply by Finnida officers in interviews conducted by the author for the purposes of this study. In the words of one Finnida officer:

'Looking at the distribution of Finnish aid among the potential recipient countries and regions within them over the years one could conclude that we have been fairly successful in targeting our aid to the benefit of the poorest. This may have happened unintentionally or intuitively. But to identify ourselves as partners with the inhabitants of the most peripheral, marginalised and forgotten areas of the poorest countries has not been difficult for us Finns, maybe because we have always been peripheral in world economic structures ourselves' (Kari Karanko, personal communication).

In 1961 a State Commission for International Development Aid was set up to define the main targets and principles of Finnish development aid. 'Poverty' was not explicitly spelled out as a concept in the development discourse of Finland in those days. Rather, development aid was conceived of as a temporary undertaking within the process of decolonisation, its purpose being to transform the 'underdeveloped'

²⁴ It should be noted, however, that in the international aid statistics Finland still counted as a net recipient of ODA as late as 1966. This was because of some large IBRD loans for road infrastructure.

societies into 'developed' partners for future mutual economic, social and political co-operation. Other official committee reports and budget memoranda of the 1960s emphasised Finland's desire to co-operate at the UN and Nordic levels and sought to identify areas where Finnish bilateral operations were seen as having special expertise and opportunities for mutual benefits.²⁵

The second State Commission for Development Aid, appointed in 1966, recommended that 60% of the assistance should be allocated through bilateral channels and 40% through multilateral ones. This policy was maintained until the drastic cuts in aid budgets in the early 1990s, since when the proportion of multilateral aid has decreased to about one-quarter.

In 1974, against a background of active discussion about global development problems and the need for a 'New International Economic Order', the government issued a new development policy document highlighting the importance of more equal distribution of income and ownership – within and between nations – for social justice and efficiency in production as well as increased employment opportunities. In line with 'basic needs' thinking the policy recommended investment in more accessible and better quality education, health services, nutrition, housing, social security and environmental protection. The government had a clear and coherent vision of the changes it wanted to promote, mainly through multilateral channels:

- structural imbalances in the relationship between the developing and industrialised countries should be corrected;
- all relevant structural, economic and social factors should be taken into consideration;
- the distribution of income and wealth, both between countries and within the developing countries should become more even; and,
- special attention should be paid to the position of the poorest countries.

The so-called Third Committee on Development Co-operation also stipulated that Finland's assistance was to be concentrated on the poorest developing countries. Decisions on the course of development were to rest with the recipient country. In the budget memoranda of the early 1980s the aid administrations began to justify aid allocations by referring to their capacity to reduce poverty in poor countries. In reality,

²⁵ Throughout the history of Finland's development co-operation until the 1990s, the question 'In which sectors/activities does Finland have expertise to offer?' has guided the selection of the forms of Finnish development interventions perhaps more than considerations about the recipient governments' or poor people's own plans, or needs, about how to maximise the poverty reduction impact of Finland's aid.

Finnida²⁶ began to focus increasingly on simply trying to ensure the recipient governments' capacity to cover the recurrent costs of the large capital investments made earlier with Finnish aid (see, for example, Porvali *et al.*, 1995: xi). Later in the 1980s, new elements in aid policy gradually emerged. Most importantly, new policy guidelines for developing countries were designed by the World Bank and the IMF. After considerable hesitation, Finland also undertook to support these structural adjustment policies (SAPs), especially in sub-Saharan Africa. The international aid community's shift from more targeted poverty-reducing interventions, e.g. in the poorest rural areas, to structural adjustment at the national level of the economies was never fully endorsed by the Finnish aid administration or community however. Finland seems to have adopted a double agenda. At the level of the official donor dialogue it became a (relatively) active partner in promoting SAPs in the countries receiving its bilateral aid. At the same time, its bilateral programme continued some old and started some new rural water and co-operative projects and integrated rural development programmes more in line with the basic needs emphasis of the McNamara period than with the IMF/World Bank macroeconomic approach of the 1980s. The guiding principle of these bilateral projects and programmes was that they would operate in the poorest areas of the poor countries.²⁷ Finland also allocated a substantially smaller share of its aid to block grants (import support, balance-of-payment Support, etc.) than most other European donors (see Porvali *et al.*, 1995:125, 145, 180; Ulkoasiainministeriö, 1995: 59-61; OECD-DAC, 1997; Table 6, A43-4).

In the late 1980s Finnida translated the new OECD-DAC catchwords 'democracy, human rights, environment' and 'Women in Development (WID)' into the Finnish aid vocabulary. The new OECD-wide fashion of a less hesitant attitude to conditionality was adopted by the Finnish aid administration, as well. Poverty reduction as an explicit goal of development assistance began to appear more frequently in Finnida documents in the early 1990s, after the publication of the World Bank's *World Development Report 1990* on the special theme of poverty.

²⁶ The short form 'Finnida' will be used throughout this paper instead of the official name, Department for International Development Co-operation of the Ministry for Foreign Affairs of the Government of Finland, DIDC/MFA/GOF.

²⁷ E.g. Luapula province in Zambia, Western province and Bura in Kenya, Mtwara-Lindi in Tanzania, Manica province in Mozambique, Region V in Nicaragua, Selale in Ethiopia, Lumbini valley in Nepal.

1.2 More professionalism, less money in the 1990s

Parallel with these developments – but not necessarily caused by them – a remarkable professionalisation took place in the management of Finnish aid in the early 1990s. Serious efforts were made by Finnida to systematise the identification, planning, monitoring and evaluation of its interventions. A logical planning and reporting framework was introduced²⁸ in the Finnida guidelines for project design and reporting (1991), a management information system (called ‘Project Interpreter’, including quality monitoring markers, such as ‘poverty specific’/‘poverty relevant’ for Finnida-funded interventions) was developed and the Central Evaluation Unit was re-established and provided with realistic resources and sufficiently independent status. There are, however, reasons to believe that this professionalisation was motivated less by Finnida’s desire to reach the poorest of the poor than by its wish to ‘modernise’ its management mechanisms in line with the latest ‘state-of-the-art’ among its OECD-DAC fellow members of the. Some characteristics of the ‘typically Finnish’, intuitive pro-poor sensitivity were (almost) lost in this serious drive to make Finnida commensurable with other Western donor agencies.²⁹ The development of Finnida’s

²⁸ The rapid circulation of Finnida staff has led, however, to a situation where many who were trained to use logframe planning according to the 1991 guidelines are no longer in charge of project-related tasks, and have been replaced by colleagues who have never received any logframe training. This problem is likely to become even more serious, as there are plans to integrate the careers of the development co-operation specialists with those of the generalist diplomats, in which case the institutional memory of the aid administration might become even shorter than it is today.

²⁹ It is interesting to note that the planners and researchers of Finland’s domestic social welfare policies (the policies aimed at reducing poverty within Finland) have been considerably less hesitant to emphasise and defend the particular ‘Finnishness’ of Finland’s policies. According to Heikkilä (1990), Ritakallio (1994a/b), Halleröd *et al.* (1996), Stakes (1997) and several others, Finnish ‘anti-poverty policies’, based on universality of access, effective and progressive taxation and strong reliance on autonomous local governments as service providers, have turned out to be highly successful in OECD-wide comparisons with market or employment-based social security schemes. Many human and social development indicators: e.g. incidence of poverty (low), distribution of income (even), rate of corruption (low), proportion of women in decision-making positions (high), infant mortality (low) rank Finland close to the top. Finnida officers, on the contrary, have mostly been careful not to suggest that there might be anything valuable in the ‘typically Finnish’ (or ‘Nordic’) approaches to poverty reduction. Instead, since the mid-1980s, they have been quick to copy the models and rhetoric of other OECD countries or the World Bank, in spite of the fundamental differences in domestic societal values and principles. The lack of communication between Finnish social welfare experts and development aid professionals is surprising, considering that both groups consist of non-poor professional planners seeking strategies to reduce the poverty of the (mainly) non-professional poor. The current

tools and procedures has, thus far, included very few strategic efforts to improve its knowledge base about poverty and the poor in the countries where it operates. Thus, the respectable knowledge that some Finnida officials possess about poverty and its causes in some of the primary recipient countries must be due to their own activity, not the result of an internal strategic system forcing or encouraging staff to accumulate in-house knowledge about poverty or opportunities for its reduction.

After thirty years of involvement in international development co-operation the need to define a comprehensive approach to Finland's relations with developing countries was strongly felt in the early 1990s. The development policy strategy document *Finland's Development Co-operation in the 1990s* (MFAF, 1993) can in fact be seen as the first important attempt in this direction. It was meant to provide the major ranking under which further country, sector and organisational strategies of Finland's development co-operation could be designed.³⁰

This strategy document, drawn up by Finnida staff and the Advisory Board for Relations with Developing Countries in 1992-3 in an exceptionally thorough and participatory process, and endorsed by Parliament in 1994, enjoys wide support in the Finnish aid community. According to the present strategy the main objectives of Finland's development co-operation are:

- i. to reduce widespread poverty in developing countries,
- ii. to combat global threats to the environment by helping developing countries solve their environmental problems,
- iii. to promote social equality, democracy and human rights in developing countries.

vocabularies of the two distinct discourses are very similar, too, with 'participation', 'ownership', 'self-help' and 'process-planning' (instead of 'blueprint planning') emerging as the new themes. This communication gap may be an important reflection of attitudes. Many Finnida officers seem to want to identify themselves with the diplomats, World Bank economists or export company executives, rather than with the exceptionally skilled Finnish social policy planners, midwives, tax administrators, school-catering planners, municipal health economists, waste-water treatment technicians or other less 'glamorous' professional groups. The author finds this regrettable. Deacon (1997:8) has approached the same problem from the opposite direction. He regrets the slowness of social policy specialists in linking up with colleagues in development studies and aid management in analysing and prescribing better ways in which human needs might be articulated and met.

³⁰ It was also meant to be a subordinate component of a more comprehensive and coherent strategy of Finland's relations with developing countries. In the 1996 'Decision-in-principle' the Cabinet committed itself to drafting such a 'coherence strategy' by the end of 1997.

The major frustration for the Finnish aid community is that the severe cuts in aid budgets since the peak year 1991³¹ have prevented their effective realisation. The cuts in budgetary appropriations in 1992-6 were targeted on the basis of administrative convenience rather than careful consideration as to how best to emphasise the priorities set by the strategy document. Competition for shrinking funds was heightened by increased allocations for purposes statistically recorded as development co-operation but kept outside Finnida's administrative control. The principal items of this type have been the costs of taking in refugees from developing countries and, since 1995, Finland's contributions to the European Union's development co-operation.

The main victim of the cuts was (non-EU) multilateral development co-operation, the allocations for which were reduced to one quarter of their 1991 figure. Although bilateral funds suffered less, the effects were acutely felt there too. Two items of the aid budget survived the cuts remarkably well, with their allocations actually increasing somewhat even in absolute terms in 1993-6. These were the interest subsidies for premixed concessional credits and the industrial co-operation through Finnfund, both of which mainly serve the interests of Finnish export companies. These forms of development co-operation have diverted Finnish aid flows away from the poorest countries to the so-called 'emerging economies' (e.g. China, Thailand, Malaysia and Indonesia) (see Koponen and Mattila-Wiro, 1996).

1.3 New optimistic policy omits the global politics

The new rainbow government of Paavo Lipponen (Social Democrats) decided in its mid-1995 work-plan that a new 'Decision-in-principle' on Finland's aid policy must be prepared 'as early as possible'. The Minister for Development Co-operation (and Environment), Mr Pekka Haavisto (Greens)³² invited an experienced and widely

³¹ During the 1980s, the increase in volume of Finnish ODA was one of the fastest among the OECD countries. The target of 0.7% of GNP was reached and even surpassed in 1991, when ODA disbursements amounted to 0.78% of GNP. By 1991, however, the depression - the most severe in Finland's modern economic history - had set in and aid appropriations began to be cut almost in panic. By 1994 actual disbursements had plummeted to 0.31% of GNP.

³² Mr Haavisto's strength as a minister is seriously limited by the fact that he as the first ever minister of the Green Leagues is the only minister of the smallest party in the coalition government. In addition his main task in the present 'rainbow' government is that of Minister of the Environment. The aid administration is his second portfolio, to which he can seldom give more than one day per week of his time.

respected Social-Democrat politician Pertti Paasio³³ to form a 'one-man committee' with two tasks: i) to negotiate with all the Finnish parties about whether (and how much and how fast) they would be prepared to increase Finland's aid budgets during the next decade; ii) to recommend which goals, sectors, target areas and instruments should be prioritised in Finnish aid.

In September 1996, the government was finally in a position to issue a 'Decision-in-principle'³⁴ prescribing the government's new aid policy. The document sets out the government's commitment to increase the aid budget to 0.4% of GNP by 2000, and endorses the ultimate long-term target of 0.7%. The text outlining the qualitative objectives for Finnish aid is an elegant blend of two or three mutually incompatible theoretical frameworks, a 'something-for-everybody' compromise, with which most actors in the Finnish aid scene can somehow identify themselves. There is no disagreement in the Finnish aid constituency about the principal goals of Finnish aid. In 1996 they were still thought to be the same as in the 1993 strategy: i) poverty reduction; ii) the environment; iii) social equality, democracy and human rights.

The rest of the policy text is, however, internally inconsistent, and leaves a lot of room for interpretation. The two main sources of recognisable influence in the 'Decision-in-principle' are Mr Paasio's report and the *Shaping the 21st Century* aid strategy document of the OECD-DAC. The former reflects typical Nordic Social Democratic values (solidarity, interdependence, basic needs), whereas the second brings in several key concepts of the contemporary neo-liberal jargon:

Integration of the world economy and the increasing mobility of private investment open up new opportunities to developing countries, too ... The conditionality of assistance, the limited funds available and a more pronounced role for the recipient are further factors to be considered in reviewing the choice of partner countries ... It should therefore be possible to target the scant resources more flexibly to those countries in

³³ Mr Paasio is a former minister of Foreign Affairs, and currently a member of the European Parliament. At the time of working as a 'one-man committee', he was chairman of the Foreign Affairs Committee of the Parliament and of the parliamentary group of the leading government party, the Social Democrats.

³⁴ Cabinet, 1996. At the beginning of its term in 1995 the new government decided to freeze appropriations at the 1995 level (in nominal terms). With growing GNP, this would have entailed a declining trend in the ratio of official development assistance (ODA) to GNP. In the 'Decision-in-principle' of September 1996 the Lipponen Government changed its policy, and committed itself to a slow upward trend in GNP-ODA ratio (and to a substantially faster growth in absolute terms, since GNP is increasing quite rapidly.)

which the internal situation is conducive to enduring results. (Cabinet, 1996: 1,2,5)

In spite of the compromises made to please the Paasio one-man-committee (and the Advisory Board as well as the Finnida evaluators), the basic thrust of the government's new aid policy reflects an optimistic neo-liberal interpretation of the global situation. Also, Finland's foreign policy interests (to use aid as an entrance ticket to 'get into' a maximum number of countries and international organisations in order to increase Finland's international 'visibility') seem to overrule the desire to be a dedicated, well-informed and reliable long-term partner with a smaller number of developing countries and a few international organisations. The Government is committed to the OECD strategy:

The Finnish Government supports the development co-operation strategy adopted by the OECD in May 1996, the most important international development co-operation policy statement of the last few years... (ibid.:1)

According to the OECD and Finnida, the ending of the Cold War had a profound impact on relations between the industrialised world and developing countries. Co-operation can now be looked at in terms of global problems and mutual dependence. Over the past few decades, living conditions in developing countries have improved significantly, with the exception of the poorest countries whose main problem is rapid population growth.

On the other hand, both the Finnish Government and the OECD recognise that development has bypassed many as well:

There are signs, however, that the poorest countries are not benefiting from global economic integration, and that their position has continued to deteriorate. Despite the advances made, more than 1.3 billion people now live in abject poverty, and... Despite all the achievements, the world remains very unequal with deep gaps in the standard of living... (ibid.: 1-2)

Here, the government jumps back to Mr Paasio's Social Democratic discourse:

As motives for development co-operation, solidarity and the moral imperative to aid people in need are thus as valid as ever. Development co-operation is the mark of a civilised nation.

The 'Decision-in-principle' also appeals to NGOs by promising gradually to increase the assistance funnelled through NGOs to 10-15% of the aid budget from the present

5-6%. A Finnish political scientist, Dr Heikki Patomäki,³⁵ recently raised an important question concerning Finnida's present thinking about the relationship between 'foreign policy proper' (seeking stability) and poverty reduction. At an in-house seminar organised by Finnida, invited to give a political scientist's comment on the Decision-in-principle, he asked: 'Where is the politics?'

In Patomäki's opinion one should not forget that Finland's aid budgets have declined very rapidly in recent years, and that an increasing share of them are being channelled through Western multilateral channels dominated by the selectively optimistic neo-liberal or monetarist discourses. Patomäki found it revealing that all politically relevant elements e.g. from the recent Human Development Reports published by the UNDP, were omitted from the Decision-in-principle, although they could have been included just as easily. From the point of view of international politics it would have been relevant to write about the increasing regional gaps in income, GNP figures, life expectancy, literacy levels, etc. In his opinion it would also have been *politically relevant* to discuss the increasing gaps in income distribution *within* societies, in the North as well.

In Patomäki's view it would be *politically relevant* to consider how people in various parts of the world *perceive* and *experience* the realities of the world in which they live. The voice of the poor and the marginalised reaches the surface neither in the global media nor in the OECD strategy nor in the Decision-in-principle of the Finnish Government. And yet, it is perceived and experienced realities, not statistics, that mobilise ethnic and fundamentalist movements, partly as a direct response to inequitable globalisation processes. These issues are politically relevant, but there seems to be little room for such considerations in the technocratic strategies dominated by the global management mentality ('*governmentality*'), which is legitimised by the optimistic world historical narrative. In Patomäki's view it would be politically relevant in tomorrow's world to consider what may be the consequences of a management mentality which is systematically insensitive to '*difference*', to different ways of interpreting time, space, justice, prosperity, quality of life – and politics.

³⁵ Heikki, Patomäki: 'Kommentti: Kehitysyhteistyön periaatepäätös', unpublished statement, 25 October 1996.

2. Recent Conceptualisation of Poverty Reduction in Finnish Aid Policy and Management

2.1 Decision-in-principle 1996

The '*Decision-in-principle*' endorses poverty reduction as the first of the three main goals of Finnish and international development co-operation. In the government's view (Cabinet, 1996:3) the means to achieve this goal are:

- i. sustainable economic growth
- ii. equitable income distribution
- iii. support systems targeted on the poor, to create conditions for them to participate in productive activities.

In order to implement the goal of poverty reduction, the government undertakes to:

- continue its support for the economic reform programmes in developing countries;
- contribute to decision-making concerning the contents of such programmes;
- emphasise that the programmes should not only aim at generating economic growth, but should also be combined with measures to promote social development;
- channel Finland's assistance expressly into the development of the human resources and independent capabilities of developing countries;
- limit Finland's role to that of a catalyst for development;
- emphasise basic education and health services, which are crucial to enabling poor people to participate;
- support efforts to improve family planning and reproductive health as integral parts of basic health services;
- focus increasingly on food security and the promotion of environmentally sustainable subsistence farming;
- step up action aimed at strengthening the participation of women in social and economic activity, e.g. by seeking to encourage the provision of more extensive basic education for girls and women;
- draw particular attention to the status of disabled people in the developing countries.

In discussing aid channels the government takes account of the post-Cold War changes in relations between the industrialised and developing countries (e.g. conditionality, limited funds, recipient ownership), and concludes that Finland should

be prepared to pursue a more flexible policy in the choice of partners from among an extended range of potential partner countries. However, it will:

...continue to base its bilateral operations on systematic long-term development, directing the bulk of its assistance to the poorest developing countries, particularly in sub-Saharan Africa. (ibid.: 5)³⁶

The sustainability objective of development co-operation is interpreted not only as the relation between economic growth and the carrying capacity of the environment but also as an appropriate balance between growth and income distribution (social acceptability). In order to secure such sustainability the government promises to:

- use approaches and working methods which emphasise the participation and decision-making power of the local partners and the intended beneficiaries;
- promote such structural, social and social security political changes as will ensure the long-term outcome of individual projects (ibid.: 3).

2.2 Lack of formal operational guidance

Despite efforts Finnida has failed to establish better in-house working definitions or monitoring criteria for what it means by 'poverty' and 'poverty reduction'.³⁷ At the moment no-one in Finnida can tell what planning and monitoring tools it recommends for its staff members, consultants and NGOs in order for them to be able to convert the government's anti-poverty policies into concrete spending decisions and interventions at the field level. During the past three years the advisory services Unit has repeatedly put forward proposals for such in-house working definitions to be established. Surprisingly, the top management has systematically turned them down. Thus, the draft texts prepared by the head of the Unit have not been circulated. At the same time, new officials and consultants have little but their own intuition to rely on, when they

³⁶ A fundamental difference of opinion and ideology is hidden behind these elegant formulations. See Chapter 4.

³⁷ This is a problem shared by many international aid agencies. However, some donors, notably the World Bank, IFAD, UNDP, Swedish Sida, Danish Danida, Canadian Cida, Irish Aid and the German GTZ have invested a lot of money and staff time in theoretical and empirical poverty analysis. None of these agencies claims to have discovered the 'Truth' about poverty, nor the 'final solutions' to it. They have, however, documented their 'Contemporary Best Understanding' and 'Working Definitions' in writing, shared them with the whole of their staff and with their development partners and suggested that, in order to make their organisations work efficiently, these 'working definitions' should be used by all members of staff for the time being, until experience shows that they need to be modified.

try to work out how best to translate the main goal of Finnish aid into tangible decisions in the recipient country or in project-level negotiations, or how to assess whether the desired effects and impacts have been achieved.

It is difficult to explain the unwillingness of Finnida's top management to establish common working definitions and quality management standards for the agency's work. It is not that they want to refrain from standardised solutions in order to be able to adapt their work to the specificities of each partner country's situation, though this aspect has been emphasised in several recent evaluations. One explanation may lie with the main agenda of the top management which is Finland's foreign policy interests.

It is not uncommon among aid professionals within and outside Finnida³⁸ to think that for some of the top foreign policy leaders the main objective is in reality not that poor people's poverty really gets eradicated or alleviated, but that Finland's aid policy rhetoric and its strategic and visible international anti-poverty contributions suffice to convince the world community that it belongs to the group of the serious, poverty-focused, Nordic donors.

From this perspective it becomes important that Finland should establish a wide network of bilateral aid relationships with as many developing countries as possible.³⁹ The main point is not whether Finland disburses US\$10 million or 0.1 million to support the poverty reduction efforts of a given country, so long as it gets local and international visibility.

In the same way in the regional development banks and in joint financing arrangements Finland's tactics are to invest 'seed-money', the main motivation being to get an entitlement for Finnish companies to tender for contracts from the institution and for the Finnish diplomats to make use of the positive image thus gained. Such considerations are clearly a key part of the thinking in Finnida and the rest of the Ministry for Foreign Affairs. In a way the sentence about 'development co-operation as an integral part of Finland's foreign policy' in the present Cabinet's Decision-in-principle provides clear justification for Finnida to think this way.

A related explanation is that many 'diplomats' in the Ministry believe that the most constructive role Finland could play in assisting the poor people in less fortunate

³⁸ Personal communication from informants who wish to remain anonymous.

³⁹ For Finnish diplomats, it is now particularly interesting to establish new relations with those developing countries which, during the Cold War years, were regarded as belonging to the 'camps' of the two superpowers, and which Finland during that time deliberately avoided, in order to keep itself outside the superpower conflicts.

societies, is not to invest in drinking water systems or the training of midwives, but rather to use diplomatic leverage in an ongoing dialogue with the political leaders of the country, to create space for open and fair relations between democratically elected decision-makers, good and accountable public administration, an impartial judiciary and an active, diverse civil society. In other words: to strengthen the social capital of the partner society. One of Finland's highest-ranking aid officers⁴⁰ stated in a recent Finnida newsletter that 'Poverty will be overcome by political solutions'. She was speaking at the Finnish launching ceremony of the UNDP *Human Development Report* 1997. In her view, the main topic of the report (poverty and human development) suits Finnida well. She found its message reassuring: 'It encourages us Finns to see that UNDP also believes that poverty really can be eradicated. To achieve this goal, not only economic growth is required; smart political solutions will also have to be found.' She also emphasised that development co-operation should not isolate itself from developments at the political level. Development aid means that two or more states are co-operating, and co-operation between states is always political:

Development aid alone can never develop a country. It has to be linked to political initiatives which aim at balancing the skewed distribution of income and welfare in the society. One precondition is that the government of the developing country should decide to take more responsibility for the development of the country. Most poor country governments committed themselves at the Copenhagen Social Summit to promoting social development. The same Global Agenda, including social development, the status of women, population issues, human rights, the environment, housing issues and food security, also serves well as the future agenda for Finland's development co-operation. The long-term aim of our development co-operation is to reach a situation where we can 'normalise' our economic and commercial relations with our partner countries.

⁴⁰ Kirsti Lintonen (Under-Secretary of State for Development Co-operation), Kehitysuutiset 8/97. A few Finnida officials, in commenting on an earlier version of this paper to the author, suggested that a study like this should focus on the policies and approaches of Finnida as an institution, and that references to individual opinions should be omitted. This view, however, fundamentally contradicts the author's perception of the nature of historical research. Neither Finnida, nor the Ministry for Foreign Affairs, is a monolith. Quite the contrary, they are diverse communities of individuals, each with his/her own personal values, knowledge base and motivation. What Finnida as an institution does, or thinks, at any historical point of time, is the result of a powerplay (which is not a negative thing), or balance between these various views and opinions. Top leaders' opinions, of course, often have more weight than those of other staff members. Therefore, the author finds it relevant to include some top leaders' personal statements in this analysis of Finnish aid policies.

Although Finnida has never formally conceptualised what it means by ‘poverty’ and ‘poverty reduction’ it is possible by reading many different Finnida documents from the past two decades to synthesise some main lines of thought and approaches to poverty reduction in the Finnish aid system. The real problem is the lack of institutional memory and mechanisms for sharing the lessons learned with less experienced colleagues in and outside the Department. Very few of Finnida’s present staff or consultants – not to mention partners in developing countries – have the time or the records to make anything more than arbitrary guestimates of what they are actually expected to do to promote the poverty reduction goal of Finnish aid.⁴¹

A further complication is that there can be no ‘Official Finnida Truth’ on poverty, poverty reduction, or development. Instead, within Finnida – as elsewhere – there is an ongoing battle between different schools of thought, world views, development theories and political ideologies. It is not suggested here that any in-house working definitions could do away with the contestability of the concept of poverty reduction. But by establishing at least temporary ceasefires in the in-fighting such working definitions (compromises, averages, typical views) could help the aid agency function more effectively. This is why an effort will be made here to identify at least some characteristics of ‘the typical Finnida way’ of conceptualising poverty reduction.

2.3 Documentary sources of Finnida’s poverty reduction positions

There are surprisingly few standard wordings and formulations in all these different documents. Obviously the authors have thought through their wordings themselves. The basic ideas, however, remain much the same; which provides evidence of consistency of policy.

a) The Development Assistance Committee (DAC) of the OECD conducts periodic reviews of the member states’ development co-operation efforts. The last DAC-Review on Finnish Aid was conducted in 1995 (OECD-DA, 1995b). The bulk of the information for those reviews comes from memoranda provided by the aid agency concerned. The data and their interpretations are then edited into a report by a team consisting of the DAC secretariat and ‘peer’ officials from two other DAC members.

On ‘poverty alleviation’ Finland had reported that it pursues this objective through dialogue, through influencing its multilateral partners, through the design of specific projects and programmes, and through its support of NGO activities. For a long time

⁴¹ The most common counter-argument from Finnida representatives is the standard: ‘Everything we do is aimed at reducing poverty’. This was already discussed in Box 1. Some concrete examples will be discussed in the next chapter.

a high proportion (92% in the late 1980s) of its assistance has been concentrated on the least developed (LLDC) and low-income countries (LIC), but the share going to the poorest countries has declined during the early 1990s (65% 1993). Finnida no longer considers concentrating aid on poorer countries *ipso facto* a poverty alleviation measure.

Details of the sectoral allocation and the various instruments of Finnish assistance, as well as lessons learned from evaluations, will be discussed in the next chapter. Here it will suffice to give the summary conclusion of the DAC Review (p.12).

Finland's poverty alleviation objective is reflected in many parts of the programme, but the actual pattern of resource allocation does not reflect the stated policy as strongly as that policy would lead one to expect. Moreover, there are trends, such as the geographical distribution, which suggest that Finland will need to be more determined in its stated poverty policy.

From this perspective, it is interesting to see how Finnida – according to the more recent documents – has reacted to this challenge provided by the DAC peer review.

b) The text on development co-operation in the *State Budget Book* (1997) indicates that a precondition of Finland's assistance is that the government of the recipient country is also committed to the goal of poverty reduction.

It explains the new, more flexible Finnida principles for country selection (see the next chapter). According to the budget justifications Finnida is expected to evaluate the poverty reducing impacts of Finnish aid – in collaboration with the recipients – in order to learn from past experience (see Chapter 5).

c) The new Finnida project design manual does not devote much space to the poverty issue. A complex discussion is skillfully condensed into three paragraphs, but remains on a fairly theoretical level (MFAF, 1997a:5).

Sustainable economic growth, its fair and equitable distribution and translation into broad-based social development is one part of Finnish poverty reduction policy. It emphasises stable and conducive economic policies and development of human resources which are both a prerequisite and the outcome of economic growth. Empowerment of the poor by improving their access to productive assets like land, water, financing and other services is another important part.

Poor people of both sexes must have the opportunity to participate in the decisions that affect their lives. It helps to focus on these root causes of poverty that poor people themselves consider to be most relevant.

The analysis of a project's impact on poverty must be based on systematic assessments which are based on reliable indicators and conducted on a regular basis. Existing poverty assessments and profiles are complemented when necessary by additional studies.

The issues raised by the second paragraph (gender focus and participatory approaches) illustrate some of the comparative strengths of Finnish bilateral development assistance today. The last paragraph (regular and systematic poverty assessments with indicators and poverty profiles) remains a good intention rather than a reflection of existing practice. There is nothing systematic in how Finnida assesses the poverty-reducing impacts of its efforts. But staff seem willing to learn, and Finnida participates actively in various joint donor working groups on poverty reduction within the frameworks of the SPA, the DAC, the World Bank as well as in this EU-wide comparative research project. The Central Evaluation Unit plans to launch a forward-looking thematic evaluation of the poverty orientation of Finnida's various instruments and procedures, as soon as the results of this ongoing research project are available.

d) The government's Annual report to OECD-DAC on Finnish development co-operation in 1995 discusses poverty reduction under the heading 'Cross-cutting themes' (MFAF, 1997b:17-18).

Finland's policy is based on the understanding that poverty reduction is possible and sustainable when the economy is growing faster than the population. At the same time, welfare and the opportunities brought about by economic growth should be shared by all members of society. *Economic growth* requires a sound macroeconomic environment that is conducive to entrepreneurship, domestic savings, foreign financing and investments in both the public and private sector.

Development of *human resources* is another key area in efforts to reduce poverty. Basic education and vocational training, primary health care, including reproductive health and family planning, and water supply and sanitation are the areas where human resources development is especially promoted. Special emphasis has been placed on girls' and women's access to these services.

Finland considers the *empowerment of the poor* to be one of the most sustainable ways to fight poverty.

Finland seeks to promote the reduction of poverty through both multi- and bilateral activities. Finland feels that there has been a major breakthrough in the international financial institutions, which have become much more poverty oriented in the last few years.

Bilaterally, a majority of all projects and programmes aim to reduce poverty.⁴² Finland has concentrated on combating rural poverty, while less has been done in the field of urban poverty, though it is recognised that this is a major problem.

Finland's most successful anti-poverty programme is actually a cluster of three programmes in the Western Province of Kenya. The Primary Health Programme, the Water and Sanitation Programme and the Livestock Development Programme have together had a tremendous impact in terms of empowerment. This region, which is the poorest in Kenya, is now setting an inspiring example.

e) The top civil servants of the Ministry for Foreign Affairs, including Finnida, prepare for themselves and their staff, the Four-year Action and Financial Plan of the Ministry (Ulkoasiainministeriön hallinnonala, etc.) Poverty reduction in the poorest countries is a fairly marginal topic in this 'Corporate Plan of Action' for 1998-2001. The principal topic is the EU,⁴³ and especially the six-month period from July to December 1999, when Finland will chair the European Union for the first time. All major organisational and management considerations of the Action Plan revolve round this 'historical and demanding challenge', as the Action Plan puts it. Poverty reduction is mentioned nowhere in the Plan except in the chapter on International development co-operation, which summarises the main points of the government's Decision-in-principle. The wishful thinking in the Finnish development aid constituency,⁴⁴ that the Political or Foreign Trade Departments of the Ministry would have the will or skill to seek, in the name of coherence, ways to promote poor countries' or people's interests in international trade-political negotiations (e.g. in the WTO) or other diplomatic fora (in the EU or the UN) remains a far-fetched dream. Some optimists in Finnida believe

⁴² According to Finnida's own records (the 'Project Interpreter' database), 54 % of Finnida's bilateral funds (based on commitments) were allocated to 'poverty specific' or 'poverty-relevant' purposes. Two years later, in 1997, the proportion of poverty-focused spending had dropped to 43 %, again according to Finnida's own project database (this time the data were based on the commitment authorisation decision.)

⁴³ Finland became a member of the European Union on 1 January, 1995.

⁴⁴ E.g. Advisory Board for Relations with Developing Countries, 1996.

that the recent proposals for major organisational and career reforms in the Ministry (from the present functional departments with Finnida staff consisting to a large extent of 'development specialists', to 'coherent' geographical divisions all manned by 'generalist' diplomats) could help a trickling-down of the poverty agenda from Finnida to other parts of the Ministry.

f) Finland's provisional statement on the future of the Lomé Convention (Ulkoasiainministerio, 1997a) contained some clear indications as to the role the government sees for poverty as a criterion influencing Finland's (and the EU's) relationships with developing countries. The statement was Finland's response to the European Commission's discussion paper on EU-ACP relations. The statement reflects Finnida's optimism about the idea of 'coherent' development policies.

- It is important for Finland that poverty reduction should be the central goal of the EU's relations with developing countries.
- The contractuality and the spirit of partnership are valuable characteristics of the Lomé Convention, because they guarantee the predictability and long-term nature of the relationship.
- Grant aid should be given primarily to the least developed countries.
- All developing countries should receive equal treatment (independently of their historical colonial relations with some EU member states). Any categorisation should be based on the differences in their developmental situation. Thus, the Asian LLDCs should be given equally favourable treatment.
- The EU should promote the integration of the developing countries in the global market economy. The experiences of previous EU-ACP co-operation have not been encouraging, but many ACP countries are still very dependent on the Lomé mechanisms in the short term. The EU should give priority to creating innovative mechanisms to cushion the process whereby developing countries are integrated into global markets.
- The present trade provisions must be extended to all LLDCs. Other ACP countries should be given only GSP preferences.
- Special mechanisms must be created also on the WTO level (e.g. the WTO Action Plan for LLDCs), to improve the LLDC's capacities and market access for their products.

g) In the World Bank, Finland belongs to the same voting group as the other Nordic countries and the three Baltic states. For 1997-2000 it was Finland's turn to nominate the Executive Director to represent the group on the Executive Board. A kind of 'mandate' was drafted for the Finnish ED, indicating the kinds of developments Finland would wish to promote in and through the Bank. The document 'Finland's Plan-of-Action in the World Bank during 1997-2000' (Ulkoasiainministeriö, 1997c) contains a lot of creative thinking about how Finland may be able to i) strengthen the pro-poor character of the World Bank's work; ii) learn and benefit from the Bank's

experience in how to make Finnida's other activities more pro-poor. Finland's pro-poor policies within the Bank are discussed in more detail in Chapter 4.

'Poverty reduction' occurs as a topic in recent terms of reference prepared by Finnida. A remarkable finding of a synthesis study based on the reports of 165 evaluations commissioned by Finnida (Koponen and Mattila-Wiro, 1996) was that the Finnish implementing organisations (mainly consulting companies) have been extraordinarily reliable in achieving the tangible output targets as defined in the terms of reference and contracts (e.g. 'XX number of wells dug', 'YY kilometres of road built' etc.). However, they had been considerably less successful in making a sustainable impact (e.g. in reducing the incidence or depth of poverty) in the communities and societies where they worked. This finding underlines the role of terms-of-reference (TORs.) in the Finnish aid system: Consultants are loyal and dedicated to the tasks defined in the TOR, but do the TORs require them to *assess the project's impacts on poverty regularly and systematically*, as the new Finnida project design guidelines suggest?

An analysis of 59 TORs prepared by Finnida staff for project identification, appraisal, review or evaluation missions in 1995-96 was conducted for the purposes of the present study. The results revealed that in only 14 cases was the consultant required to conduct a poverty assessment or in other ways identify the project's likely impacts on the livelihoods of the poor members of the community concerned. This finding corresponds quite well with the personal observations of the author in interviews he conducted for this study with some 40 Finnida staff members. Of the civil servants interviewed, a roughly similar proportion, maybe a quarter, had a thorough and convincing knowledge base of the poverty profiles in the countries they were responsible for, and clear ideas of how the Finnish-funded interventions in those countries contributed to reducing the country- or area- specific characteristics of poverty.

3. Management of Bilateral Aid Delivery

3.1 Organisation⁴⁵

Finnida is officially one of the three operational departments of the Ministry for Foreign Affairs (see Chart 2). In the Cabinet, responsibility for official development assistance (ODA) has usually rested with the Minister for Foreign Affairs. During most of the 1990s, however, the portfolio of development co-operation has been separated from that of Foreign Affairs. In the present coalition Cabinet, the responsibility for development co-operation has been given to the Minister for the Environment, Pekka Haavisto, the Green Party's first ever minister. It is important to realise that in addition to his duties as Minister for the Environment and as the only representative of his party in the Cabinet Haavisto can devote approximately only one day a week to Finnida's affairs.

Within the Ministry, the Department for International Development Co-operation (Finnida) is headed by the Director General (see Chart 3). Above her, in the organisational hierarchy, there is the Under-Secretary of State for Development Co-operation. The Director General is, however, officially not the head of the aid administration, but rather a permanent representative of the Ministry within the department, acting as a guardian of the coherence between the three departments.

Finnida's headquarters in Helsinki, in a separate building from the rest of the Ministry, houses three operational lines (sometimes called divisions) plus an administrative secretariat. Besides the lines for bilateral and multilateral functions, a third line for planning and co-ordination, including EU matters, was created in 1995, when Finland joined the European Union.⁴⁶ The Central Unit for Evaluation has a relatively independent status, reporting directly to the Director General (see Chapter 6). During 1997, proposals were made for organisational reform, the main idea being to merge the geographical units of the three departments in order to avoid duplication of work and to create a 'single-window system' for communications with foreign governments and with Finland's diplomatic missions in the geographical regions.

⁴⁵ The organisation structures of the Ministry for Foreign Affairs will be changed on 1 August 1998. The most up-to-date organogram of the MFAF is shown in Chart 2.

⁴⁶ In addition, for matters related to the EU's relations with developing countries there is a special governmental sub-committee to provide inter-ministerial co-ordination, chaired by Finnida, and with members from the Ministries of Finance, Trade and Commerce, Education, Health and Social Affairs, Environment and Agriculture.

Chart 2 Organisation Chart of the Ministry for Foreign Affairs of Finland

Minister for European Affairs,
Foreign Trade and Nordic
Cooperation

Minister for Foreign Affairs

Minister for Development
Cooperation

New Organisation
Confirmed in the Ministry's
Management Council 26th
February 1998

Secretary of State

Ministry's Management Council

The three Ministers, Secretary of State, Under-Secretaries of State,
Heads of Departments, Secretariats and Inspection

Under-Secretary of State
Political Affairs, Press &
Culture

Under-Secretary of State
External Economic
Relations

Under-Secretary of State
International Development
Cooperation

Under-Secretary of State
Administrative, Legal and
Protocol Affairs

Press &
Culture
Dep.
D.G.

Political
Department
Director General
Divisions for
Multilateral Political Affairs
Security Policy and Arms
Control

Department for
External Economic
Relations
Director General
Divisions for
Multilateral Affairs for
General Trade and Economic
Policy
External Economic Relations

Department for Inter-
national Development
Cooperation
Director General
Divisions for
Multilateral Development Affairs
General Development Policy
Information and
Non-governmental Organisations

Operational Steering Group:
Comprises the Directors General for Political
Affair, External Economic Relations and
International Development Cooperation

Divisions in Charge of Geographic Regions

Europe
Eastern Europe
and Central Asia
The Americas,
Asia and Oceania
The Middle East and Africa

Roving Ambassadors

Department for
Corporate and
Administrative
Affairs
Director General
Divisions for
General Administrative Affairs
Financial Management
Real Estate and Procurements
Information and Documentation

Protocol
Dep.
D.G.

Legal
Dep.
D.G.

Inspection

Nordic Cooperation

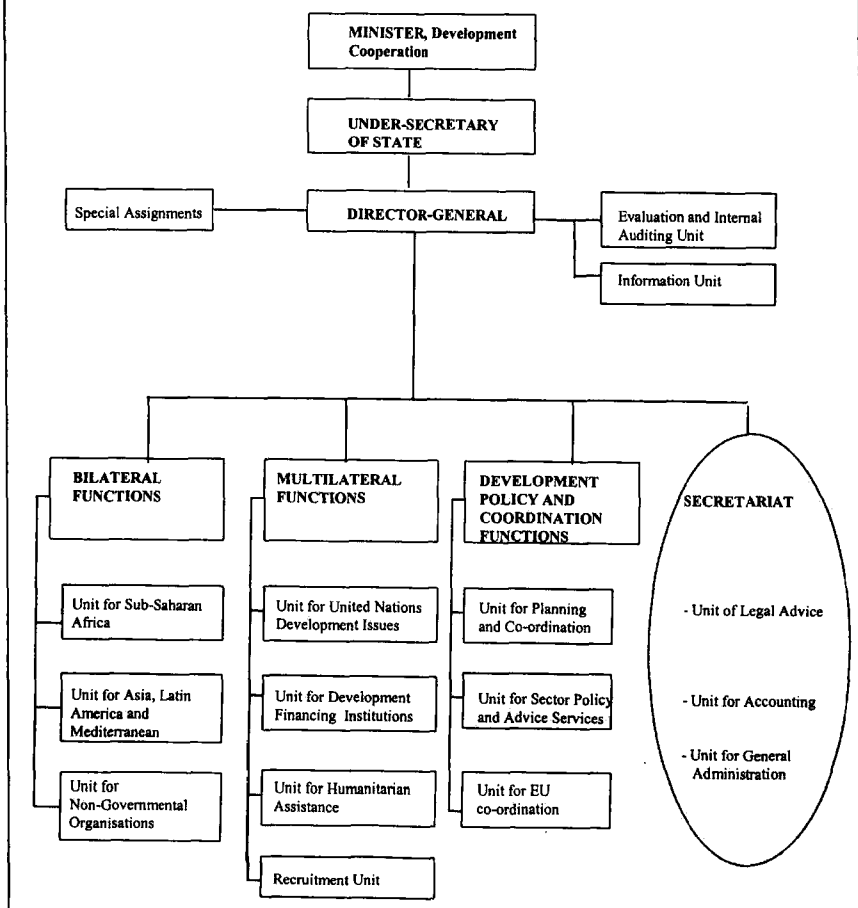
EU Secretariat

EU Presidency

Secretariat for Finland's

A number of Finnida staff members seem to be very sceptical about the proposed reform, however personal communication with informants who wish to remain anonymous. The new organisational charts proposed by the Administrative Department reveal that 'their' box has disappeared. In their view the elegant package of efficiency and coherence arguments (improved coordination) seems to be nothing but a cover for the other departments' desire to grab staff and resources from development aid for the management of Western European and Atlantic security and economic political co-operation (EU, WEU, Nato, Council of Europe).

Chart 3 Organisation chart of the Department for International Development Co-operation (FINNIDA), 1997



The Finnish aid system has always been very headquarters-heavy, as compared with other European aid agencies (see, for example, Cox *et al.*, 1996). The Department's staff more than doubled from 94 to 200 members between 1981 and 1991 during which period Finland's was one of the fastest growing aid programmes ever seen among OECD-DAC Members. Only 12% of the aid administration's staff (25 persons in 1991) were in postings abroad, however, in a total of 14 developing countries plus aid-related postings in New York (UN), Paris (DAC) and Rome (FAO). The introduction of an overall policy of retrenchment in 1992 resulted in subcontracting more of Finnida's work to consulting companies and trimming back the number of in-house advisers and other staff on short-term contracts. Separate recruitment was discontinued at the same time, signalling the low value given in the Ministry to development-related specialised knowledge and experience.⁴⁷

By 1997 the proportion of Finnida staff in postings in the South – the only ones exposed to the realities of life of Finnida's intended beneficiaries for over 300 days a year – had dropped further. Of some 180 staff members only 15, or about 8%, were resident in primary partner countries in the South.⁴⁸ Even their chances of getting to know the realities of poor people's lives outside the capital are often frustrated by the enormous amounts of reporting, donor coordination and protocol work needed to satisfy the expectations of their colleagues at headquarters and the other donor representatives in the capital.

The rest of Finnida's staff at headquarters seldom encounter poverty or poor people. It is the author's estimate⁴⁹ that not more than 40 of the 160 Helsinki-based officials have visited one of the primary co-operation countries during the previous 12 months, and that of these 40, not more than 10 (6% of the total) have spent more than three days outside the capitals of those countries, or talked to anybody outside the aid elite

⁴⁷ There are things which every professional member of a specialised development institution knows at least superficially, e.g.: the difference between HDI and GNP, PRA vs. blue-print, poverty assessments, basic features of tropical subsistence agriculture or diseases, central and local government traditions in Eastern Africa, South Asia, Central America, dependency, basic needs, IRDP, SAP and SPA thinking and experience, WID, gender, EIA, SIA, logframe, etc. etc. The assumption that generalist career diplomats (during their obligatory two-year stint term at the 'development desk', would be able to collect a sufficient familiarity with such basic issues of development policy and praxis lacks credibility.

⁴⁸ Addis Ababa (1), Dar es Salaam (3), Hanoi (1), Cairo (1), Kathmandu (1), Lusaka (2), Nairobi (2), Maputo (2), Managua (1), Windhoek (1).

⁴⁹ Based on monitoring of Finnida staff travel plan summaries, which are regularly distributed to all staff members.

circles of ministers, top officers of the Treasury and the National Planning Commission, and representatives of other donors.

Yet, the Finnida officers work hard, often overtime. They complain constantly about their unbearable workloads, which increased further in 1995 when the Department assumed overall responsibility for administering Finland's participation in the EU's development co-operation, especially in the Lomé Convention with 70 ACP countries, 60 of which were somewhat 'new' to Finnida.

Finnida thus faces a formidable challenge: How to reduce poverty by remote control? A question creeps in: Is this Helsinki-heavy organisation, and decision-making structure, really the only option, or the most efficient one, to meet the goal of sustainable poverty reduction in the poor, and mainly rural, communities of the South? 'We have to take decent care of our tasks in so many fora, especially in the EU', was the justification given by the Director General of Finnida to this question (Marjatta Rasi, personal communication, October 1997).

The Advisory Board for Relations with Developing Countries (Kesu) has repeatedly recommended that Finnida and the Ministry should reconsider whether it is necessary for Finland to be involved in all international financial institutions, in all EU and UN bodies, and to take part in all the co-ordination meetings which take place among European donors, in the framework of the EU, the DAC, the SPA, the Paris Club, the World Bank, the UN, the Nordics, the like-minded group, etc. The Board has also questioned the wisdom of the Finnida management's favourite idea of 'flexible expansion of Finland's contact surface with developing countries'. The management would like to spread Finnish aid funds thinly to many new countries, and justifies this by the fact that, as a member of the EU, Finland now has to have an opinion about all 70 ACP countries, when the EU Council of Ministers discusses Lomé-related matters. The Board has in any case asked how realistic it is for Finland to try to establish an aid relationship with all developing countries. It has recommended that a better strategy would be for Finland to try to become such an experienced and knowledgeable partner with a much smaller number of countries, that their governments, as well as other less experienced donors, would find it natural to rely on its recommendations when allocating their own state budgets or aid funds.

Recent evaluations have systematically indicated that the weak point of Finnish aid interventions thus far has been the insufficient understanding of the broader historical, cultural, economic, political and social situation of the societies and communities

where Finnida operates, and hence the inability to recognise their broader impacts among the other dynamics at work.⁵⁰

The on-going organisational reforms in the World Bank (World Bank, 1997), the UNDP and a number of other bilateral aid agencies seem to support the opinion of the Advisory Board, suggesting that Finnida should also increasingly devolve responsibility, resources and manpower for project administration from Helsinki to the embassies in the main partner-countries. The bulk of head quarters staff's time at present is spent in communicating (and solving communication problems) with the embassies and with the consulting companies' field offices in the main partner countries (or in the odd few other countries, where *ad hoc* projects are funded by Finnida for reasons which hardly anybody in the organisation remembers anymore). In a decentralised system headquarters would not need to know all the details of every activity. Rather, it could concentrate on extracting from the field the most constructive lessons learned and forwarding them to relevant parties in other field offices or in the Finnish (EU) aid policy constituency.

3.2 Channels of Finnish aid

In 1995, disbursements of Finland's ODA amounted to US\$388.3 million. Thus the sharp decline that occurred during the early 1990s has been reversed into slight growth. The estimates for 1998 indicate continued growth to FIM 2,223 million (about US\$400m.). The ODA/GNP ratio is also due to grow slowly from the level of 0.32% in 1995 to 0.36% in 1998.

The share of multilateral aid jumped to 43.3% in 1995, as Finland joined the European Union and began to contribute (US\$42.3m.) to the EU's development co-operation budget. The role of the EU as a major channel of Finnish aid is due to grow even more, when disbursements to the next extra-budgetary European Development Fund (EDF) start.

Bilateral disbursements in 1995 amounted to US\$220.1 million, the lowest since 1986, and less than was budgeted for. The bilateral division seems to have taken a long time to recover from the trauma suffered during the budget cuts in the early 1990s. Its slow

⁵⁰ One can, of course, wonder how far it will ever be possible for Finns or any other outsiders to understand all the relevant dynamics at work in a given 'recipient' society. The recipient government is, of course, much better positioned to analyse the role and impact of its various donors' contributions to the whole. Ideas such as 'single country strategies' that aim at 'putting the recipient on the driver's seat' (or at least handing them the reins of the ox-cart) seem moves in the right direction.

and headquarters-biased decision-making systems – combined with discontinuities with changes of leadership – have led to major under-spending several years in a row.⁵¹

A comprehensive evaluation of Finland's humanitarian assistance was conducted in 1995-96, and in the light of its findings new guidelines were prepared in 1996-97. Humanitarian assistance has for a long time maintained its relative importance in Finnish ODA, representing 7-10% of the total. The main components are disaster relief and assistance to refugees. Increased attention is focused on assistance for democratisation and human rights efforts, as well as on the continuum between preventive measures, disaster preparedness, and relief and rehabilitative work.

In 1995, approximately US\$27.5m. or about 7% of Finland's total assistance, was channelled through the NGO support programme. The bulk of this was allocated to 360 projects implemented by 144 Finnish NGOs in more than 60 developing countries. US\$0.6m. was allocated to information and development activities, US\$ 1.8m. to international NGOs and US\$0.5m. to indigenous NGOs in the South. The costs of the Finnish Volunteer Service amounted to US\$4.4m.

The budget line 'unallocated by country' in the aid budget is normally shared among Finnida's in-house advisory unit, training department, information unit, development research, non-project-related personnel assistance, support for import promotion activities and some other minor items.

Finland's aid programme is highly concessional. The grant element of total ODA commitments in 1995 was 99% (100 % for LLDCs). No new concessional credit agreements were concluded during 1995, but disbursements caused by the debt-to-nature swap of Peru's development credits amounted to US\$25.8m. The number of new, officially supported export credit agreements has decreased markedly since the early 1990s. In the Decision-in-principle (1996) the government expressed its clear negative attitude towards the use of mixed credits as an aid instrument. It characterised them as an unsound form of support which distorted free trade and competition. It was decided that Finland should seek to put an end to mixed credits by means of an agreement to be concluded with the OECD, within which, and in the EU, it advocates discontinuing their use. For a transitional period the government is to restrict concessional credits mainly to the transfer of environmental technology and to the

⁵¹ At the year-ends of 1995, 1996 and 1997 Finnida has been forced to reallocate - in a rather 'ad hoc manner' - unspent bilateral funds to various multilateral agencies and international NGOs. Members of Parliament have complained that such reallocations violate the will of the Parliament in terms of the proportional allocation of Finland's aid funds to bilateral and multilateral aid.

social sector. The Cabinet also decided to cut the share of mixed credits in Finland's total aid budgets from 10% in the early 1990s to 4-6%.

Table 2 The channels of Finnish ODA (net disbursements in US\$)

YEAR	1984/85	1992	1995
I. Official Development Assistance (ODA) (A + B)	194	644	388
ODA as % of GNP	0.38	0.64	0.32
A. Bilateral ODA (1+2)	118	421	220
1. Grants and grant-like contributions	106	448	243
<i>of which</i>			
- Technical co-operation (experts)	48	87	51
- Food aid	2	4	4
- Emergency and disaster relief	4	62	23
- Contributions to NGOs	-	6	5
- Administrative costs	6	28	21
2. Development lending and capital	12	-27	-22
<i>of which: New development lending</i>	11	26	-1
B. Contributions to multilateral institutions	77	223	168
Grants and capital subscriptions, total	77	223	168
<i>of which</i>			
- the European Commission	-	-	42
- IDA/World Bank	17	57	34
- Regional Development Banks	11	14	14
II. Other Official Flows (OOF) net (C+D)	66	197	201
C. Bilateral OOF (1+2)	0	197	201
1. Official Export Credits	-	197	210
2. Equities and other bilateral assets	0	-	-8
D. Multilateral Institutions	65	-	-
III. Grants by Private Voluntary Agencies	16	8	6
IV. Private Flows at Market Terms (long-term)	6	-79	51
V. Total Resource Flows (long-term) (I to IV)	281	770	647
Total Resource Flows as % of GNP	0.55	0.76	0.53

Source: OECD-DAC, 1997

3.3 Poverty reduction in country programming

Over 30 Finnida officers were interviewed in depth specifically for the purposes of this study, as well as less formal communication with many more. In the interviews, many officials expressed unease about the concept of *poverty reduction*, which they regarded as cumbersome, unclear and difficult to put into practice.

In the country programming of Finland's bilateral aid, the identification and targeting of 'the poor' take place most often on geographical basis. To work in *a poor area of a poor country* seems to be a safe strategy for a Finnida officer wanting to implement the poverty reduction goal of the aid strategy. Poverty is taken as an existential characteristic of poor countries and areas, a distinctive factor for comparing Finns and the 'poor masses' of a poor country (or the urban elite and the poor rural masses). The poor are seen as *a homogenous mass*, and Finnida seems to take little sensitivity to the welfare and power stratification – and the dynamics and inequalities causing such stratification.

Surprisingly few 'country desk officers' seem to use up-to-date *poverty profiles* or *poverty assessments* of 'their' respective countries. Finnida has never attempted to produce its own poverty profiles or assessments in any of the countries supported by Finnish aid. For Vietnam, a good poverty profile by the UNDP had been in frequent use by the desk-officer, but there had been no use made of the country poverty profiles produced by SIDA. World Bank country poverty profiles (or assessments)⁵² were more frequently accessible, 'among the papers received at the last Consultation Group meeting'.

As a logical follow-up of the 1993 strategy document (MFAF, 1993), 'country strategies' have been prepared in Finnida for all ten principal partner countries, and were presented to Parliament for the first time in 1996. They have been severely criticised (most sharply by the 1996 Paasio report) for being non-analytical accounts of what Finnida has been doing anyway, rather than analyses of the societal situations in the partner countries. Paasio and others have demanded that the *poverty* situation, the state of the *environment* and the realisation of *social equality*, *democracy* and *human rights* in particular, should be analysed in each country strategy, as these are the main objectives of Finnish aid. There are, however, no in-house guidelines for how such analyses should be done, and as a result: they are often not undertaken at all. However, many of the existing country strategies already contain some basic data on these variables.

⁵² Some of which are these days published by the governments of the countries concerned, but still clearly edited in the World Bank's computers.

These strategies are the outcome of 1-3 days brainstorming sessions (mainly in Helsinki) in teams consisting of the relevant Ambassador or Chargé d' Affaires and the Finnida desk-officer plus one or two Finnida economists as facilitators. The main analytical methods used have been a SWOT-analysis of the *strengths, weaknesses, opportunities and threats* of the country, plus a problem-/objective-tree for the alternative ways of intervening. Representatives of the country concerned have normally not been present at these exercises. The analyses are, of course, informed by reports received from the government concerned, in regular communications as well as during the bilateral country programme negotiations, which are held once every 1,2 or 3 years. 'The most reliable information' comes, however, from other donors, according to some interviewees.

The latest OECD-DAC aid strategy document (1996) recommends that instead of each donor having its own distinctive country strategies for each recipient country, donors should ideally agree to support 'single country strategies' and 'sector development programmes', i.e. general and sectoral development plans designed not by the donors but by the authorities and political decision-makers of the developing country concerned.⁵³ Another key theme in sector development programmes is the disbursement of funds through the partner country's own budget and administration in place of unsustainable and overlapping parallel administrative structures created by each donor. Finland is in favour of this way of thinking, and in its efforts to make other (often larger) donors see the benefit of such a co-ordinated and ownership-fostering way of acting, it may have to be prepared to compromise on some of its own preconceived country strategies.

In Africa, the most important framework for such co-ordinated efforts is the Special Programme of Assistance for Africa, reported on in Finnida's annual report 1995 (submitted to the Parliament in 1997). According to other Finnida documents (Ulkoasiainministeriö, 1997c; Haili, 1997) the SPA offers a unique forum for donors to strengthen their consensus and co-ordination. All in all 17 bilateral donors plus the World Bank and the IMF take part in the SPA process. The SPA Working Group on Poverty and Social Policy has, according to Finnida, 'achieved greater results in poverty reduction thinking, policy-making or methodological development than any other organisation or programme in the world' (Ulkoasiainministeriö, 1997c).

Finland takes an active part in the work of this group. The framework of the on-going Programme phase, SPA-IV (1997-9) allows it to participate in the anti-poverty programme by supporting almost all kinds of anti-poverty activities, from macroeconomic reform programmes to tailor-made assistance to disabled or other vulnerable people.

⁵³ If necessary, with financial and technical (advisory) assistance from the donors.

3.4 Information and decision-making systems

As already mentioned, Finnida is trying to reduce poverty by remote control: 160 civil servants in Helsinki are writing guidelines for and scrutinising the reports of the 15 bureaucrats and 80 or so consultants working in the embassies or field-projects respectively.

The management of Finnish aid projects is predominantly guided by instructions, regulations, rules and guidelines that are given by the Finnish Ministry for Foreign Affairs. There are guidelines from the Ministry and the Embassies on project formulation, on progress reporting, instructions on the use of project vehicles, and regulations on the levels of per diem allowances, etc. (Moore *et al.*, 1996: 40)

Finland is one of the world's leaders in terms of modern information technologies.⁵⁴ Nevertheless, information management is Finnida's main problem. Whereas the hardware (computers etc.) is no longer a problem, the snag now is the software: inadequate information management systems, and most of all – habits. A recent evaluation criticised Finnida for being a non-reflective organisation:

The Department does not appear to place much value on analytic capacity, or be much influenced by the results of evaluations and research. There are several indicators of this. One ... was the apparent inability of the organisation to produce usable, consistent data series of the pattern of spending on bilateral programmes over recent years ... We had the impression that the statistical function within the Department exists mainly to report statistical data in a standard format to the DAC. There was little sign that these data are used – or even usable – within the Department to help monitor, analyse and reflect on its own pattern of activities and performance. Other observations – notably the scarcity of staff training and the prevalent management culture – are consistent

⁵⁴ 'Virtual Finland', the internet homepage of the Ministry for Foreign Affairs (<http://www.vn.fi/um>), reported in August 1997, that Finland has risen from fifth in 1996 to second place today among the world's leading users of information technology, according to a report compiled by the research organisation International Data Corporation (IDC) and the World Times publishing firm. The report, known as the *Information Imperative Index*, focuses on the 55 countries that together deploy 99% of the world's information technology. Sweden, Denmark and Norway are ranked third, fourth and fifth respectively. One suggested explanation for the Nordic countries' success in absorbing and employing information technology is their receptiveness to new ideas, i.e. a tradition of not being tied to tradition.

with the overall impression of a non-reflective organisation. (Moore *et al.*, 1996: 65)

The evaluators produced the following recommendation:

It is important that the Department encourage the development of a more reflective, analytical culture within the organisation, and support individual staff members to develop their own analytical capacities.

The same recommendation has already been given a couple of times during the past three years by the Ministry's Advisory Board for Relations with Developing Countries.

During 1997 Finnida finally began to react. New guidelines for project design, monitoring and evaluation have been drafted, widely discussed within the organisation, and published. There are plans to continue the process by designing new standard formats for terms of references, contracts, review reports, etc, with in-built questions about some of the agency's main strategic objectives (e.g. impacts on poverty, the environment, human rights, etc.) A new round of logframe training courses for staff and consultants is being planned.

In addition, the Unit of Planning and Co-ordination has asked the other Finnida units to identify their most pressing information needs, which it has turned into four sets of research plans for small 3-6 month studies, grouped under the broad headlines of 'environment', 'human rights', 'culture' and 'the EU'.⁵⁵ Academic and consultancy institutions are now being asked to tender to conduct these studies. The research questions have been skilfully formulated and raise expectations of interesting results.

3.5 Approach to project planning

The new project design manual is going to be the most important practical tool in Finland's bilateral aid in the years to come. The bulk of the document explains in detail the logic of logical framework planning very much like the *Project Cycle Management Guidelines* of the European Commission. The new manual emphasises very clearly that the three overarching aims of Finnish development co-operation must be taken into account throughout the lifespan of each Finnida-funded intervention, from identification through planning, implementation and monitoring to evaluation. But how can this be done?

⁵⁵ Poverty would have become one of the broad headlines, if the present EU-wide comparative study had not been on-going.

The manual requires that the planner, the monitoring officer and the evaluator all use a standard intervention profile, where the quality of the project has to be rated along various sustainability factors on a scale from highly unsatisfactory to highly satisfactory (see Chart 4).

Chart 4 Finnida's proposed new intervention rating format

INTERVENTION PROFILE/PERFORMANCE SUMMARY

COUNTRY/TITLE OF INTERVENTION: _____

STATUS (in planning/implementation/completed): _____

Rating scale: -2=highly unsatisfactory, -1=unsatisfactory, +1=satisfactory, +2=highly satisfactory, N/A= not applicable or not known

	-2	-1	+1	+2	N/A	Comments
RELEVANCE						
Correspondence with beneficiaries priority needs						
IMPACT						
Impacts on beneficiaries and other affected groups						
EFFECTIVENESS						
Contribution of results to achieve project purpose						
EFFICIENCY						
Cost-effectiveness of converting means into results						
POLICIES						
Reduction of poverty						
Promotion of equality and human rights						
Promotion of democracy and good governance						
SUSTAINABILITY						
Correspondence with local policies						
Strengthening of local institutional capacity						
Economic/financial soundness						
Suitability to local socio-cultural context						
Participation of local stakeholders						
Optimal participation of men and women						
Impacts on environment						
Appropriateness of technology						
ASSUMPTIONS						
Likelihood of assumptions to materialize						
IMPLEMENTATION						
Achievement of planned results						
Compliance with budget						
Availability of baseline data						
Use of indicators						

MAIN CONCLUSIONS: _____

ACTION NEEDED, AND BY WHOM: _____

OTHER COMMENTS: _____

FILLED BY: _____

DATE and PLACE: _____

heavy (see Chart 5). At virtually every stage of the project cycle decisions have to be made at headquarters in Helsinki. Embassies in the South have next to no autonomy to make decisions except on the so-called Embassy Micro-project Funds which are really minimal good-will projects (US\$20,000 - 60,000 per year per embassy).⁵⁶

The consultancy companies managing funding to aid projects have emerged as an area of relative strength in the Finnish bilateral aid system (Moore *et al.*, 1996). Some serious problems in the kind of contracts Finnida draws up with these companies could in the long term work against this mode of aid delivery, however. Consultancies' profits on project management are derived solely from the overheads they are able to charge on the employment of technical assistance staff. There is thus, no strong incentive for companies to seek to hand over institutional ownership of projects to local institutions in the recipient countries or to replace highly paid Finnish technical assistance personnel with – perhaps equally skilled but considerably lower- cost – advisers and managers from the South. This problem is a constant source of conflict even in some of the most poverty-sensitive Finnida-funded projects which often end up spending some 25-35% of project funds on the costs of the expatriate co-ordinators, facilitators and financial controllers. It is not easy to persuade poor local civil servants that the enormous proportions of budgets spent on expatriate staff are less immoral than the daily allowances, sitting allowances and other 'add-ons' they themselves use to maximise their personal share of the cake.

The other problem related to the consultancy mode of aid delivery stems from the unclear diplomatic status of the consultants. The new aid policies stress that development assistance is an integral part of foreign policy and that an intensive policy dialogue with the authorities and political decision-makers of the partner countries may often be at least as effective a form of co-operation and partnership as physical investments. This is certainly true in the rapidly changing situations in many developing countries. In Finnida's contracts with the consultancy companies, however, it is not clearly enough defined, how far the consultants have a mandate to engage into policy dialogue with the recipient authorities or in donor co-ordination negotiations related, for example, to sector reform programmes. In the past consultants were strictly forbidden to get involved in any discussions of a political nature, and although Finland's policies have changed, few consultants dare to risk using their common sense.

⁵⁶ The in-house task force in charge of drafting the new manual was headed by the chief of the Unit for Advisory Services, who has since been promoted Deputy Director General in charge of the Bilateral Division of Finnida. This change gives reasons to expect a frictionless continuum from the guidelines to action.

3.6 Participation

A growing proportion of Finnish-funded projects are planned through an open-ended approach. There have been several encouraging instances of the intensive participation of poor beneficiaries and local-level institutions in intervention planning, decision-making, implementation, monitoring and evaluation.⁵⁷ The political will of the Finnish government is that the aid administration will:

in all projects supported by Finland, establish and promote decision-making procedures and participation arrangements furthering attainment of the goals (human rights, equality, democracy and good government) ... (Cabinet, 1996)

According to the new Finnida guidelines for intervention planning (MFAF, 1997a):

To enhance ownerships and sustainability, Finland increasingly leaves the responsibility for the planning and implementation of development co-operation to the partner country at different levels. Participatory planning indicates that the key role is played by the beneficiaries and/or by the communities. Blueprint planning suggests an expert – or civil servant-driven approach. In many cases, collaborative planning is used, where planning is a joint exercise through workshops and planning seminars.

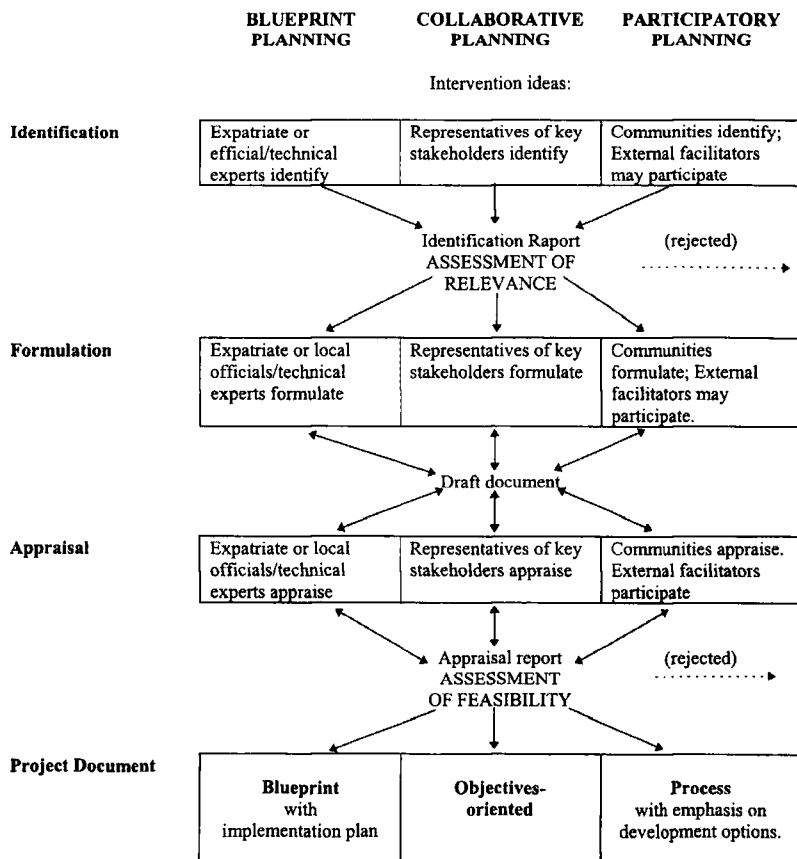
Thus, in principle, every Finnish-funded development project should be participatory from beginning to end. In reality, however, participation varies in different phases of the project (identification, formulation, appraisal, implementation, monitoring, evaluation). An interesting framework has been drafted for the new guidelines, (see Chart 6):

In the diagram movement takes place from left to right and vice versa. The need for technical expertise or grassroots participation varies. A planning phase where only technical expertise is used without people's

⁵⁷ E.g. the following projects have been mentioned by various Finnida representatives as encouraging examples of participatory approaches. FADES local government support and the Region V livestock project in Nicaragua; RIPS rural integrated programme (Mtwara-Lindi), East-Usambara forest conservation and Zanzibar forestry in Tanzania; Lumbini water in Nepal; Amhara water, Selale smallholder dairy and Lalibela town planning in Ethiopia; Western Kenya water, basic health and livestock projects; Ohangwena water in Namibia; Luapula rural livelihoods in Zambia; Beni Suelf health in Egypt; Savannakhet forestry in Laos; Bac Kan forestry and the new rural integrated project in a poor rural region Quang Tri in Vietnam; and the regional forestry project in Central America.

participation must be complemented by collaborative or participatory methods. For example a project identified and formulated by technical officials and/or experts is appraised by the community (ibid.: 12-13).

Chart 6 Potential levels and combinations of participation in various phases of an intervention



Source: Ministry of Foreign Affairs, 1997: 13

The reports and project meetings indicated in the Chart provide check points at which the project plan is verified and adjusted, and at which the level of participation is determined for the next phase. Any planning phase may be repeated.⁵⁸

3.7 Focus on women's role and status

More than two thirds of absolutely poor people in the world are women. Women have been disproportionately negatively affected by the recent structural adjustment programmes in the developing countries (Perttunen, 1996). Empowerment of women could help them also lift many children out of poverty.

The Finnish government plans to:

- step up action aimed at strengthening the participation of women in social and economic activity, e.g. by seeking to encourage the provision of more extensive basic education to girls and women;
- in all contexts, promote implementation of the programme of action of the Beijing IV World Conference on Women to improve the status of women and girls, and to encourage equal participation by women in society and production (Cabinet, 1996: 3-4).

Women's role and status is generally strong in Finland and the other Nordic countries. Women are actively involved in the labour market, and are also relatively more often in leading positions in the civil service, private enterprises and political decision-making fora, than in most other countries. According to the *Gender empowerment measure (GEM)*⁵⁹ Finland ranks fourth in the world's nations in terms of women's

⁵⁸ Whereas previously the project document was 'the Bible' of consultants and Finnida desk-officers monitoring performance, today's project documents may vary in content and level of detail. Whilst a 'blueprint document' can provide an accurate implementation plan, a 'process document' lays emphasis on the development options and is imprecise about activities or means.

⁵⁹ UNDP, *Human Development Report* (1997), pp.152 and 124. The *GEM* uses variables constructed explicitly to measure the relative empowerment of women and men in political and economic spheres of activity. The variables used are: shares of administrative, managerial positions and professional and technical jobs, shares of parliamentary seats, and average incomes.

empowerment and seventh according to the *Gender-related development index (GDI)*.⁶⁰

Within the Ministry for Foreign Affairs, the present (female) Minister for Foreign Affairs and the (male) Minister for Development Co-operation have both proved that the gender equality agenda means much more than rhetoric. The two highest ranking civil servants of Finnida are women, and among the seven members of the top leadership, four are women. Exactly half the development co-operation career officers are women.⁶¹ Three out of four names in the Finnida telephone directory are women, and only 40% of them seem to be in secretarial duties.⁶² On the other hand, inequality in salaries still persists even within Finnida. The men's mean salary in development co-operation careers is about 8% higher than that of their female colleagues. In terms of gender equality, however, Finnida stands out as an exception in the Ministry as a whole, where men's mean salaries are almost 50% higher than those of women.⁶³

In comparison with other countries therefore, Finnida's domestic achievements in terms of women's empowerment are quite respectable. The gender-sensitivity of Ministry representatives drafting statements at international conferences has also been high. In bilateral negotiations and in Finnida-funded projects the situation has been much more varied. Some desk-officers and consultants in charge of Finland's relations with primary partner countries have taken the gender agenda seriously, others less so. During the first half of 1997 a number of gender training courses were organised for

⁶⁰ Ibid pp. 149 and 123. *The GDI* is an adjusted version of the *Human Development Index* ranking average achievements in life expectancy, educational attainment and income in accordance with the disparity in achievement between women and men.

⁶¹ But only 40% of Finnida's total staff are permanent development co-operation professionals, the rest are generalist diplomats or temporary advisers. See: Ulkoasiainministeriö (1997b).

⁶² In terms of formal status and salary more than 40% may be employed as secretaries. However, several 'desk officer' or 'task manager' posts are filled in Finnida today by people (women and men) officially employed as secretaries. This is a pragmatic solution to the loads of paperwork 'task managers' have to get through.

⁶³ The high proportion of women among the secretaries of course biases the mean of women's salaries. However, also among career diplomats (career III) who are all required to have an equally demanding master's degree, the men's mean salary is almost 30% higher than that of the women.

Finnida staff and consultants, but the majority of staff have still to receive the training.⁶⁴

All in all, a basically positive attitude exists within Finnida for keeping the promotion of women's status high on the priority list. To turn this attitude into tangible changes in the way how the institution – and each of its members – works is difficult, however.

Gender aspects of poverty have received remarkable attention in Finnida-funded development projects during the past few years, partly due to the intensified international discussion about the feminisation of poverty, but also partly thanks to the enabling environment created by several gender-sensitive (female and male) top officers of Finnida, the energetic work of Finnida's two successive gender advisers as well as the efforts of some female field-level consultants. One crucially important effort of the previous gender adviser was to commission three extremely readable assessment documents on the gender dimension in Finnida-funded water, forestry and rural development projects (Rojas, 1993, 1994, 1995). These achieved a wide readership among Finnida officials, development consultants and students of development studies. The process led to the formulation of a pragmatic and user-friendly booklet, *Guidelines on Gender Analysis* (Finnida, 1995).

3.8 Focus on the disabled

'The Government will draw particular attention to the status of disabled people in the developing countries'. (Cabinet, 1996: 3)

Again special attention for disabled people is an idea which no-one within the Finnish aid system is against – in principle. The problems begin when someone starts to require that this basically positive attitude should be turned into concrete changes in the way the organisation works.

The present Minister for Development Co-operation decided immediately after his appointment, that at least 25% of the so-called 'microproject funds' at the disposal of

⁶⁴ In the early 1990s large numbers of Finnida staff also received training in project design, including gender analysis. Because of rapid circulation of staff many of the trained Finnida officers are no longer in charge of project design however, and several current desk officers have to cope without training.

Finnish embassies in developing countries should be spent on support for the disabled. He probably expected the rest of the Finnida staff to recognise this signal as well.⁶⁵

Finnida has also supported the disabled through two bilateral projects (in Nicaragua and Ethiopia) and by generous co-financing arrangements with a number of Finnish disabled people's NGOs, which have also set up a national lobbying platform, FIDIDA. Nevertheless, the political will expressed in the Decision-in-principle remains a challenge for Finnida.⁶⁶

The recently drafted Plan of Action for Finland in the World Bank 1997-2000 has taken the political directive seriously:

Finland will support the broad agenda of SPA-4, but will also seek possibilities to focus the forum's attention on the special concerns of disabled people and other vulnerable population groups. (Ulkoasiainministeriö, 1997c: annex 2, p.4)

STAKES, the National Research and Development Centre for Welfare and Health in Finland has recently published an excellent manual on approaches and methods that help to include the special needs and concerns of disabled people in development planning (Wiman, 1997).

⁶⁵ In 1997 resources for 'micro-projects' identified by the embassies were increased and resources provided also for those countries where Finland has no embassy but which are covered by an ambassador from a nearby country. While making this new decision the Minister again emphasised that at least 25% of these funds should be spent on projects benefitting the disabled and their organisations in these countries.

⁶⁶ There is no danger of the Minister for Development Co-operation forgetting to require the administration to turn this political will into action. The leading authority on development co-operation issues in his own party, the Green League, Kalle Könkkölä, himself disabled and the President of the Disabled People's International, DPI, and a strong civil rights activist for disabled people the world over. Recently Finnish disabled development co-operation activists started a new aid foundation by the name of *Abilis*.

4. Allocation of Bilateral Aid

4.1 Country distribution

The poverty orientation of Finnish development co-operation has traditionally manifested itself in Finnida's choice of 'programme countries' (or 'primary co-operation countries') for Finland's bilateral aid. Most of them have been least developed countries (LLDCs) and/or low-income countries (LICs). In 1995 Finland channelled about 60 % of its bilateral ODA to LICs and 32% to LLDCs. These proportions are, however, considerably lower than in the late 1980s, when the combined LLDC-LIC share came to 92%, an alarming trend also noticed by the OECD-DAC Review of Finnish aid. Table 3 provides detailed information on the distribution of the country's aid.

Africa, especially sub-Saharan Eastern and Southern Africa has traditionally received the largest share of Finnish bilateral assistance. In 1995 36% of the total went to this region. The volume allocated to sub-Saharan Africa, however, decreased by more than a hundred million Finnish marks compared with the previous year. About 30.6% of bilateral assistance went to countries in Asia, 8.2% to Latin America and 2.4% to the Mediterranean region.

In the Decision-in-principle, the government reconfirmed the commitment to 'direct the bulk of its assistance to the poorest developing countries, particularly in sub-Saharan Africa' (Cabinet, 1996: 5).

Finland engages in long-term development co-operation with ten 'primary' co-operation countries: Egypt, Ethiopia, Kenya, Mozambique, Namibia, Tanzania and Zambia in Africa, Nepal and Vietnam in Asia, and Nicaragua in Latin America. All of these, apart from Egypt and Namibia, belong to the OECD category of low-income countries. Country negotiations are held and multi-annual country programmes prepared by Finnida also for the Republic of South Africa, the Kyrgyz Republic, Gaza and the West Bank, and Bosnia. The cuts in the aid budget in the early 1990s – combined with Finnish dissatisfaction with their human rights record – led to the phasing out of country programmes in Bangladesh, Sri Lanka, Myanmar (Burma), Sudan and Somalia. Finland is also involved in four major regions: the SADC and the Lake Tanganyika regions in Africa, the Mekong region in South-East Asia, and the Central American region.

Table 3 Major recipients of Finland's aid (% of total ODA)					
1970-71		1980-81		1995-96	
Tanzania	4.7	Tanzania	13.7	China	3.8
India	3.6	Vietnam	8.7	Peru	3.2
Kenya	1.1	Zambia	6.0	Zambia	2.8
Pakistan	1.0	Mozambique	2.7	Mozambique	2.7
Ethiopia	0.9	Kenya	2.7	Vietnam	2.5
Tunisia	0.5	Egypt	2.1	Tanzania	2.2
Jordan	0.2	Bangladesh	1.8	Zimbabwe	2.2
Zambia	0.2	Peru	1.1	Bosnai-Herzegovina	2.0
Nigeria	0.2	Somalia	1.0	Thailand	2.0
Uganda	0.2	Sri Lanka	1.0	Namibia	1.9
Turkey	0.2	Turkey	0.9	Ethiopia	1.8
Yemen	0.1	Myanmar	0.7	Nepal	1.4
Peru	0.1	Sudan	0.7	Nicaragua	1.4
Syria	0.1	Uganda	0.6	Kenya	1.2
Lebanon	0.1	Liberia	0.5	Egypt	1.1
Total of top-15	13.4	Total of top-15	44.2	Total of top-15	32.2
Multilateral ODA	78.0	Multilateral ODA	41.2	Multilateral ODA	43.2
Unallocated	8.3	Unallocated	10.1	Unallocated	13.4
Total ODA \$m	10		123		419
Least developed countries	45.3		59.4		35.6
Other low-income countries	43.8		32.7		35.5
Lower medium-income countries (LMICs)	10.9		7.4		26.6
Upper medium-income countries (UMICs)	-		0.4		2.3
High income countries (HICs)	-		-		0.0
Total Bilateral (%)	100		100		100
Europe	1.4		1.8		6.4
Africa North of Sahara	4.3		4.4		2.5
Africa South of Sahara	54.2		60.5		42.6
North and Central America	0.4		1.7		6.3
South America	1.4		2.4		7.8
Middle East	4.3		0.4		3.5
South Asia	33.2		7.5		9.6
Far East Asia	0.7		20.9		21.4
Oceania	-		0.2		0.0
Total Bilateral	100	Total Bilateral	100	Total Bilateral	100

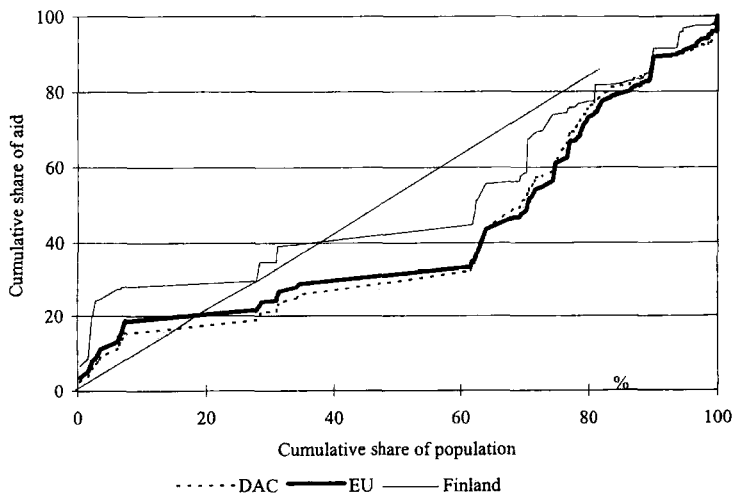
Source: OECD-DAC, 1998

As a result of the drastic cuts in traditional aid, and the increase in the absolute levels of commercially-oriented interest subsidies (mixed credits) and industrial co-operation

(FINNFUND) allocations since 1991, the geographical distribution of Finnish aid flows has changed. An increasing share has been allotted to what are called emerging economies, such as China, Malaysia and Thailand. As a result, the largest single recipient of Finnish development assistance during the past few years has been China,⁶⁷ followed by Vietnam, Zambia, Mozambique, Thailand, Tanzania, Namibia, Zimbabwe, Nepal, Ethiopia and Kenya.

The poverty orientation in the geographical allocation of development assistance is clearly illustrated by the Lorenz curve see Chart 7, based on average disbursements during the three-year period 1992-4. Lorenz curves for average DAC members and EU members have also been constructed to put Finland's performance in perspective.

Chart 7 Poverty-orientation of Finnida's bilateral assistance, compared with EU and DAC members' averages (Lorenz Curve)



The horizontal axis of the curve reflects the total population of the recipient countries, divided into relative income categories (based on each country's average GNP/capita

⁶⁷ This is embarrassing for Finnida, especially when seen against the background of it's intensified human rights focus. The bulk of Finland's mixed export credits have been used to soften the terms of companies' export deals with China. As a pragmatic compromise Finnida has compensated by taking a sharp human rights profile in Zambia and on Zanzibar. The high ranking of Thailand and Zimbabwe are also based on large mixed credits rather than large bilateral grants. Vietnam receives both grants and mixed credits.

figures).⁶⁸ Starting from the left, the first quintile represents the poorest 20 per cent of the population. The vertical axis reflects the cumulative proportion of Finland's (EU-members', DAC-members') development assistance going to countries belonging to the lowest income quintile. In the next quintile 20-40 %), the diagram shows the cumulative share of aid going to the poorest 40 per cent of the total population of aid receiving countries. The diagram shows that a considerably higher proportion of Finland's bilateral aid goes to the poorest countries, than is the average case among EU- or DAC-members.

4.2 Sectoral allocation

With respect to sectoral allocation, the statistics reveal that Finnish aid is generally directed to the production sectors, with 32% of bilateral ODA commitments in 1994 going to agriculture and forestry (OECD-DAC, 1995b). The OECD-DAC Review of Finland's development co-operation (1995b) paid special attention to the *low proportional share of educational services, health, water supply and sanitation, and population programmes* in the Finnida programme (despite the priority status given to these sectors in Finland's aid strategy (MFAF, 1993). In DAC's view the weight given by Finnida to sectors such as energy, agriculture (including forestry and related industries) and manufacturing is relatively high (OECD-DAC, 1995b). Careful reading of Tables 4 and 5 would indicate that the statistics do not reveal the whole truth.

Finnida maintains two different statistical data bases: one for the OECD-DAC according to DAC categorisation and criteria, and the other for it's own purposes, with it's own principles. The two systems contain slightly different data on the sectoral allocation of Finnish aid:

⁶⁸ In other words, the Lorenz curve is insensitive to income differences within countries.

Table 4 Major aid uses by Finland and DAC (average)

Years	1975-76		1994-95	
Sectors	Finland	DAC average	Finland	DAC average
Social and administrative infrastructure	10.9	20.1	24.4	29.0
Economic infrastructure	8.8	10.2	3.8	22.7
Agriculture	3.5	8.1	15.9	7.4
Industry and other production	11.0	13.7	2.2	3.1
Food aid	7.3	13.1	0.2	7.0
Programme assistance	-	5.9	14.7	5.0
Other	58.5	28.9	38.7	25.7
Memo: Share of ODA through NGOs	-	-	1.4	3.3

Source: OECD-DAC, 1998

Compared with what Finnish tax-payers generally think development aid is and should be about (well digging, credit, education, food, primary health, etc.),⁶⁹ Finnida's bilateral programme spends very little, at least in money terms, (19% of funds) on water supply, education and health. On the other hand, it seems unfair to register all Finnida support for agriculture and forestry (or transport) as 'non-poverty focussed' aid, since a large proportion of these funds is spent in the most isolated rural areas on integrated rural development programmes, community forestry and rehabilitation and maintenance of rural feeder roads, which could with good justification be said to serve the poorer population groups in the rural areas.

⁶⁹ Taloustutkimus (1997), p. 3 and Tables 2 and 4. It seems that the overall perceptions of the Finnish public (including Members of Parliament) of what Finland's development co-operation is about have been influenced more by the development education, information and fund-raising materials of Finnish NGOs than by reports of the real allocation of Finnida expenditures in various types of development interventions in developing countries. The NGOs' work is much more strongly focused on the fields of water supply, health and education than is Finland's bilateral aid. Also the way the Finnida information materials have been illustrated seems to have been biased more towards 'the human dimension' (wells, schools and women's tree nurseries) than the funding decisions. Pictures of the large paper and pulp factories, wastewater treatment plants and diesel generators have been rare in Finnida information materials, although such investments have swallowed the majority of Finnida funds.

Another tendency to be seen in Table 5 is the fall in the share of engineering-biased sectors such as mining, industry, energy as well as transport and communications has during the past ten years from 43% in 1984 to 4% in 1994. Whether this was the result of a conscious political choice based on the administration's new professional poverty agenda or the shortage of funds resulting from the dramatic cuts in Finnida budgets, is hard to judge.

Table 5 Finland's bilateral aid by sector 1984, 1989 and 1994 (%)

Sector	1984	1989	1994
Agriculture	10	10	15
Forestry	4	4	17
Mining	3	1	-
Industry	17	8	-
Energy	12	18	1
Construction, human settlements and human environment	1	0	4
Transport and communications	11	10	3
Trade and finance	2	1	0
Administration	1	2	2
Water supply and sanitation	7	8	7
Education	5	4	3
Health and social services	11	8	9
Other	16	28	10

Source: Finnida statistics

Finland has been very reserved about the 20/20 concept,⁷⁰ although no political decision has ever been taken on it. The 20/20 compact would actually serve Finland's

⁷⁰ The 20/20 compact was introduced internationally at (and before) the Copenhagen Social Summit 1995 by UNDP and UNICEF which have tried to encourage donor countries to commit themselves to allocating at least 20% of their aid funds to human priority needs, i.e. basic education and health (including reproductive health and family planning), nutrition and drinking water.

present development policy objectives well, now that such positive conditionality (requirement that the recipient government also has to reform its policies in pro-poor directions) has become diplomatically acceptable, and is one of the basic strategies of the World Bank and most DAC members.

In the interviews conducted for this study (mainly in 1996) many Finnida officers complained about the problems they had faced in bearing the responsibility for the termination of many of the 'old agenda' commitments at the same time as they were re-planning the country programmes according to the new Finnida strategy and the Decision-in-principle. The budget cuts squeezed budgets so violently that hardly any money was left for new initiatives. This frustration temporarily paralysed the morale and creativity of Finnida's bilateral division to such an extent that even the residual small budgets remained partly unspent, because the planning pipelines for many country programmes were empty.⁷¹

In Finnish development co-operation, the term 'sectoral approach' represents a practical solution to the long-standing problem of translating political and economic dialogue into a long-term development programme. The concept is still new to many Finnida staff members and consultants, but many of the most experienced development professionals have high hopes of the sectoral approach delivering the goods which all other approaches have failed to deliver. The task force that prepared the new Finnida guidelines for project design saw the need for some definitions:

Sectors can be defined in economic terms, such as agriculture, industry and energy, or in cross-institutional (i.e. thematic) terms such as environment, health, education, gender, employment or local government. Adopting a sectoral approach is possible only in situations where the partner country has an appropriate institutional framework and policies which promote the intended activities. (MFAF, 1997a: 3)

Sectoral development is about developing institutions. The task force felt however, that the concept 'institutional development' is normally understood too narrowly by many colleagues:

⁷¹ According to contemporary Finnida policy new project ideas should come not from Finnish civil servants or companies, but from the local people (or civil servants) in the developing countries. The preparation of project plans should also be a participatory process involving the local people and representatives of the local authorities, which means that the planning cycle from project idea to implementation will take a period of no less than 1½ - or preferably 2 years. The emptiness of the planning pipeline is a problem which cannot therefore be solved overnight.

In this context the institutional framework includes both organisations and the working environment in its broadest sense, i.e. including the 'rules of the game'. Organisations in society perform specific functions; a school educates children, a water authority provides safe drinking water and sanitation. This broad concept of the institutional framework includes laws, norms and values as well as the structures which constrain the behaviour of individuals and groups. Employing a sectoral approach means working to strengthen local institutions and building up their capacity to perform. This process is much more fundamental than one which is related only to organisations. (ibid.: 3)

The old ideas of 'integrated development' and 'rationalistic-comprehensive planning' are introduced in the new planning guidelines under the more fashionable label 'coherent planning'. Surprisingly, the approach suggested does not sound much more 'bottom-up', 'participatory' or 'process-oriented' than the development planning fashions during the heyday of McNamara and the Soviet planners in the 1970s.

In 1997, Finland was in the process of initiating its support for education sector reform programmes in Tanzania, Nepal and Nicaragua, for the agriculture sector investment programme of Zambia and for the health sector development programme of Mozambique. In Namibia it has taken an active role in encouraging other donors to join an experiment in environmental sector co-ordination. The ongoing shift of fashion from individual projects with a distinct 'Finnish' character to sectoral development programmes, co-ordinated (and ideally 'owned') by the recipient government and sponsored by several donors has created confusion and insecurity within the Finnish aid system. Many aid officers and consultants seem to believe (some wistfully) that the story of 'Finland's own' aid projects will soon become history.

Officially Finland is a strong supporter of recipient ownership and effectively co-ordinated (sector) programme assistance. For a small donor like Finland this will in many cases mean co-financing activities conceived by other donors or the recipient government. In terms of poverty assessments and analyses Finland has already relied for a long time on assessments undertaken or commissioned by other donors.

The single sector where it has been the leading donor in a number of developing countries, is forestry. It is widely, and seriously, believed in Finland that the simple fact that industrial forestry plays an important role in their external economy gives Finns some special responsibility, rights and skills to advise the governments and peoples of the South on how they ought to manage their forests. Finnish forest industry consultants are no doubt very good at designing paper mills and mechanised forestry machines. How good they are at advising the poor and marginalised people, living in – and off – the natural forests of Africa, Asia or the Americas, is a question which more and more people in Finland have started to ask themselves. The Finns

Central Evaluation Unit is planning to commission a thematic evaluation to find out whether Finnish forestry excellence is myth or reality.

4.3 Sticks and carrots: coherence of relations with developing countries

According to the 1996 Decision-in-principle, development co-operation is an integral part of Finland's foreign policy. Political relations, trade promotion and development co-operation are today seen as components of a single whole. Development co-operation is thus one of the sticks or carrots Finland uses in its relationships with developing countries.⁷²

Joint Departmental Task Forces plan Finland's strategies in the various geographical regions of the world. Their Regional strategy papers are 'rolling draft plans', never to be completed but always flexibly renewed, changed and amended as situations change. These draft regional strategies are confidential internal working tools of the Ministry but the summary chapters on Africa, Asia, the Mediterranean and Latin America 'frozen' from them into the Ministry's Action Plan are official documents open to public access. The most recent Action Plan indicates that the Ministry's machinery is differently geared for sub-Saharan Africa, Asia and Latin America. The chapters on Asia, Latin America and the Mediterranean are dominated by Finland's commercial and political interests, whereas the humanitarian poverty reduction perspective characterises the chapter on sub-Saharan Africa. Finnida has recently made efforts to ensure that the LLDCs and LICs of Asia and Latin America would not fall through the gaps in the Finnish system, as countries like Nepal, Laos, Cambodia, Nicaragua, Guatemala, Bolivia etc. do in the commercially oriented ALA relations of the European Union.

The application of political conditionality is another area where many observers have noticed gross incoherence in Finland's aid policies.⁷³ Zanzibar (where Finland has no commercial interests) has been made to bear the burden of high profile political conditionality, whereas in its relations with China and Indonesia (important trading partners) Finland has chosen an extremely low profile of conditionality.

⁷² Minister Haavisto in the foreword to the Government's Annual Report on Development Co-operation to Parliament in 1995, Hallitus/Ulkoasiainministeriön kehitysyhteistyösasto, 1996:11.

⁷³ Personal communication with informants who wish to remain anonymous.

4.4 Humanitarian assistance

Finland's bilateral aid programme was thoroughly evaluated in 1996. The main conclusions were positive:

Finland's humanitarian assistance programme has been a long-standing and valuable feature of the country's commitment to international co-operation. It has performed well in terms of strengthening the international response capacity, and in serving the concern of the Finnish public for the plight of disaster-affected populations. The programme has allocated resources ... in a efficient way, and avoided loss of life and suffering for the target populations. The government offices dealing with the issue are well organised, informed and motivated. (Cowi Consult/Finnida, 1996: 2: xi)

The evaluation identified two key weaknesses: first, a less than proactive attitude in responding to the new challenges of humanitarian crises; and second, an insufficient mobilisation and co-ordination of broader Finnish capacities than those currently to be found in the limited circle of actors. Further, the evaluators expressed concern that with the (meagre) resources at the disposal of the Finnida Unit for Humanitarian Assistance, Finland will be able to exert little distinctive influence. The policy has been to react to requests for support for the ongoing multilateral relief efforts which conform with Finnish aid priorities, but there is little evidence of Finland having used its humanitarian assistance funds to press for change in standards or orientation. In the view of the evaluators, Finland in fact risks becoming an unwilling prisoner of the new confusion among humanitarian aid agencies, unless it regenerates its efforts and formulates a more incisive policy.

The Finnida Multilateral Operations division, and especially the Unit for Humanitarian Assistance, has taken this challenge seriously. A new policy for humanitarian assistance was drafted and approved within the Ministry in June 1997, incorporating many of the ideas and recommendations of the evaluation report. The policy document still has to be submitted to Parliament for approval.

One of its basic ideas, included after strong recommendation by the Advisory Board for Relations with Developing Countries, is that the effectiveness of Finland's humanitarian assistance should always be assessed against the same criteria as are used for all Finnish aid, i.e. the impact on poverty reduction, environmental protection and the promotion of equality, democracy and human rights. Another new aspect is the clear emphasis given to the logical continuum between pre-crisis conflict prevention, humanitarian relief during the crisis, and post-crisis work for reconciliation and rehabilitation. Such broad involvement entails the obverse effect: investing more

clearly means that Finland will have to recognise the limits of its total available funds for humanitarian assistance, and be more selective in choosing the targets for its support. On the other hand, the government has decided to keep the proportion of humanitarian aid funds at 10-15% of Finland's total ODA, which means that the absolute budgets for humanitarian aid will increase, as GNP grows.

4.5 Promotion of Finnish exports: mixed credits and FINNFUND

The Finnida-sponsored mixed credit programme and the aid-sponsored joint venture scheme FINNFUND have also been evaluated by the Central Evaluation Unit in the 1990s (van der Windt *et al.*, 1992a and b; also Koponen and Mattila-Wiro, 1996: 1). The mixed credit scheme goes under several names: premixed concessional credit scheme, or interest subsidy scheme. Its main objective is to increase private financial flows from Finland to developing countries for projects with presumably high development effects. FINNFUND has existed since 1979 as a limited liability company with the government as practically the only shareholder. The company is expected to promote the investments of international Finnish enterprises in developing countries and in Eastern and Central Europe by participating in risk sharing (joint ventures) and by offering related financial and advisory services (OECD-DAC, 1995b).

These programmes have not only been able to withstand the effects of the cuts in aid appropriations much better than most other Finnish aid activities, but also the absolute amounts allocated to them increased during the early 1990s when other parts of Finnida budgets were drastically cut. Their combined share rose from some 3% of total ODA in 1990-92 to about 10% in 1995.

According to the evaluations the stated and real purposes of the programmes are not only to further economic development and welfare in the recipient countries, but also to promote Finnish economic interests abroad. This duality makes evaluation of their rationale, relevance, effectiveness, impact etc. difficult. From the developmental point of view, few of their activities were found to be very effective, especially if judged against the present overall Finnida objectives. One obvious impact was a diversion of aid funds from Africa to Asia, and from poorer countries to those called emerging economies. Yet they had not contributed to an increase of overall financial flows to the Asian countries concerned, because had Finland not financed the investments, someone else would have been likely to have done so. FINNFUND-supported projects were seen as having relied too much on the indirect 'trickle-down' effect, which seldom if ever reaches the poor. The projects were, on average, both capital – and high technology – intensive, and were located in a majority of cases in the urban areas of the better-off developing countries.

That the poverty reducing impact of promoting Finnish exports through development aid was not seen to be very profound was perhaps not surprising. More interesting was the fact that the evaluators were not convinced of the validity of these activities for the promotion of Finnish economic interests in developing countries.

These evaluation reports and the constantly high proportions of Finnish ODA allocated to export promotion purposes have given rise to heated debate between Finnida and the various actors of the Finnish aid constituency⁷⁴ about the compatibility of such spending with the widely agreed strategy, purposes and goals of Finnish development assistance. In the Decision-in-principle the present government sought to put an end to the tension caused by the mixed credit scheme, by taking a clear stand against the use of them as an aid instrument.

Mixed credits are an unsound form of support distorting free trade and competition. There are major markets in the world today in which interest subsidies are abused in a way that distorts international competition. This conflicts with the general principles of development co-operation. (Therefore) Finland seeks:

- to put an end to mixed credits by means of an agreement to be concluded within the OECD. Within both the EU and the OECD, Finland advocates discontinuing mixed credits;
- during a transitional period to strive to decrease the share of mixed credits in the total funds allocated for development co-operation;
- to restrict concessional credits mainly to the transfer of environmental technology and the social sector. (Cabinet, 1996: 6-7)

4.6 NGOs

It has become the conventional wisdom that the assistance provided by NGOs is more flexible, innovative, participatory, cost-effective and targeted on the poor. The Finnida Central Evaluation Unit has taken the view that such generalisations should not be accepted unless they can be supported by independent research or evaluation findings.

A major evaluation of the rationale, mandate, efficiency, effectiveness, impacts, sustainability and replicability of the Finnida NGO Support Programme and the

⁷⁴ I.e. the Foreign Affairs Committee of Parliament, the Advisory Board for Relations with Developing Countries, the research community and NGOs - all against the use of mixed credits as an aid instrument - and the Central Federation of Industries and Employers, naturally supporting the export industries' short-term interests.

activities supported by it, was undertaken in 1993 (Riddell *et al.*, 1994; see also Koponen and Mattila-Wiro, 1996). Another important evaluation was that on the Finnish Volunteer Service (Wilson and Nooter, 1995). This is a body which also acts as the umbrella organisation of all Finnish development NGOs the title Service Centre for Development Co-operation or KEPA.

Even these large-scale evaluation efforts left the underlying question about the assumed superiority of NGOs' development work largely unanswered, mainly because of lack of data and time and methodological difficulties. The evaluation of the NGO support programme deemed the overall impact of the NGO projects small in the four case-study countries studied – Ethiopia, Nepal, Nicaragua and Uganda. Yet their positive impact was deemed sufficient to justify Finnida's continued financial support for such initiatives. The findings on the impact of the volunteer service programme were also mixed, with clear doubts about the relevance of the Finnish volunteers' work in Zambia, Nicaragua and Mozambique,⁷⁵ but positive feelings about KEPA's achievements as a campaigning and umbrella organisation of Finnish NGOs.

A general pattern was discerned in the evaluation of the NGO support programme. Whereas the *social* impacts of NGO projects had often been significant, there was little evidence of significant *economic* impact on the livelihoods and income-generating capacity of beneficiaries. This was hardly unexpected, given the concentration of Finnish NGOs on social rather than productive projects. The focus on the social sector reflected the fact that the NGO activities had in large measure been gap-fillers: they had delivered social services which the state, for a variety of reasons, had been – and would for a considerable period remain – unable to deliver. Within this framework, a number of Finnish NGOs were found to be doing, or supporting, work of a very high calibre, which could be grouped among the best initiatives by NGOs. The most notable impact was seen to derive from the provision of improved health care services, drinking water, maternal and child assistance, and educational opportunities.

As regards the NGO projects' impacts on poverty reduction, the evaluators stressed that it would be a serious misreading of the development process to expect either the Finnish NGOs or even the combined impact of all NGO projects to be able to *solve* the problems of poverty and underdevelopment. The organisations remained simply too small and their activities were too localised. Strategically, the Finnish NGOs had focused on implementing discrete projects rather than aiming to influence policy more widely.

⁷⁵ The relevance of the overall volunteer programme was judged as 'limited' but the micro level development impacts of the volunteers' contributions were judged as 'modest but positively appreciated by hosts' (Wilson and Nooter, 1995: 216 and 212).

Yet, the evaluators added, small did not necessarily mean insignificant. The strength of the support programme was found to lie in the assistance it gave to Finnish NGOs, which were then able to make a difference to people at the local level (Koponen and Mattila-Wiro, 1996: 291). The NGOs had been able to reach tens of thousands of really poor people whom the governments concerned were unable or unwilling to support.

However, addressing symptoms of poverty was one thing, the evaluators noted, and addressing its causes was quite another. In the latter respect the NGO projects had 'not performed well'. This was seen to be partly because their distance from decision-making centres prevented them from influencing policies; but even more critically, because of their limited impact on relationships that cause political and social marginalisation. In general, it was those (frequently smaller) projects with more clearly defined and less complex objectives, and with more closely targeted beneficiaries, that had been more effective.

Finnida differs from its Nordic neighbours in that the share of total Finnish ODA channelled through NGOs is considerably smaller than in Sweden, Denmark and Norway. Despite their criticism of some aspects of the NGOs work, the evaluators recommended that Finnida should strive to increase the NGO share. They also recommended that the funding applications to be implemented in Finnida's core programme countries should be looked upon particularly favourably, and that dispersion to a large number of countries should be avoided.

5. Multilateral Channels

Traditionally Finland has been a strong supporter of the rule-based multilateral system, and an especially reliable partner for the key aid agencies of the United Nations system (UNDP, UNICEF, UNFPA, WFP and the smaller Unifem). The proportion of multilateral aid in Finland's total aid budget has normally been around 40% and in the past the UN agencies always received the lion's share of this (60-75%). During the 1980s, when the roles of the IMF and the World Bank in international economic policy-making became more pronounced, the Finnish authorities, mainly within the Treasury, became interested in increasing the allocations to the World Bank and other international financial institutions (IFIs) at the expense of the UN organisations. The strong pro-UN lobby in the Finnish Parliament, however, regularly turned down the proposed shifts in the UN-IFI balance, and cemented a principle according to which the relative share of multilateral funds channelled through the UN's key development organisations must not be reduced.⁷⁶

This was the policy during the late 1980s, and the beginning of the 1990s. Then between 1991 and 1994, the cuts in the total level of Finnida budget became so dramatic that the management no longer felt able to adhere to any of the good principles previously established. The UN agencies became the main victim of the cuts in Finnida's overall budget. The top management were made to believe that Finland would be heavily fined if it failed to disburse to the World Bank and the Regional Development Banks exactly what was written in their multi-annual contracts. Support for the UN agencies, in contrast, was easy to cut, since they were 'voluntary contributions' and not legally binding agreements.

A popular Finnish politician, long-time minister and (runner-up) presidential candidate Mrs Elisabeth Rehn was the joint candidate of Finland, the Nordic countries and the EU for the post of Director-General of UNICEF. In 1995 Finland mobilised the whole machinery of the Ministry for Foreign Affairs to support her campaign. Probably never before or since have Finnish diplomats so actively sought to establish friendly contacts with the representatives of the least-developed and other poor countries, each with one vote in the UN system. Mrs Rehn, however, lost the contest to the USA and Mrs Carol Bellamy. Thereafter the Finnish Foreign Ministry's attitude towards UNICEF and the whole economic and social development machinery of the UN went through a cool period. Relationships have since been normalised, and Finland has

⁷⁶ This principle is known, in the Finnish aid discussion, as 'Pietikäinen's resolution' (Pietikäisen ponsi), referring to first signatory to the Parliamentary resolution in 1991 (Ms Margareta Pietikäinen).

taken part in the joint Nordic-UN reform project in a pragmatic and constructive manner. This Nordic initiative seems to have borne fruit. The Annan Agenda (the UN reform programme proposed by the new Secretary General, and approved by the General Assembly in November 1997) is mostly based on the Nordic reform proposals. Nevertheless, it would be dishonest not to admit that the traditional Finnish enthusiasm for the UN no longer exists. Whatever enthusiasm may be discernible among Finnish diplomats⁷⁷ in these post-modern, post-Cold War times, is mainly focused on Brussels, the EU, the WEU and – contrary to official policy – NATO.

The opposite has occurred with regard to the international financial institutions, in particularly the World Bank. Contrary to the repeated recommendations of the Advisory Board for Relations with Developing Countries, Finnida has in the past few years intensified its relations with the Regional Development Banks in Africa, Latin America, and especially in Asia. The Advisory Board has expressed doubts about Finnida's capacity meaningfully to promote the main aims of Finnish development co-operation, including poverty reduction, in any of the IFIs, if Finland's meagre multilateral budget is spread too thinly among too many channels. The Finnida management think differently. For them the main issue does not seem to be to maximise the poverty-reducing impact of Finland's aid budget (as the policy rhetoric would make one think), but to maximise the number of situations where Finland (meaning both Finnida and Finnish enterprises) 'gets in', i.e. gets a) access to decision-making and b) eligibility for tendering, respectively, in the big projects of the development banks. The main function of the poverty-reduction rhetoric in these cases is thus to ensure that, in the eyes of all potential partners (development banks, developing country governments, other Northern donor partners etc.), Finland appears to be a credible pro-poor development partner (and a high-tech trading partner).

The Ministry for Foreign Affairs has been inconsistent, however, in its efforts to 'get Finland into' the fora where the most important global policy decisions are made. In 1997 it missed a major opportunity. It was Finland's turn to nominate an Executive Director (ED) to represent the joint Nordic-Baltic voting group on the Executive Board of the World Bank. Traditionally it has primarily been the mandate of the Ministry of Finance to co-ordinate Finland's relations with the World Bank, and to nominate the ED. In the view of the major shift in the role of the World Bank, from no longer being only a financing institution but instead the most influential actor in both global and national development policy formulation processes (including development of the global agenda and approaches to poverty reduction), lots of good reasons were found – in Finland and in the other Nordic countries – for selecting a person who could become a really strong contributor, a Nordic voice, in the important

⁷⁷ As well as internationally oriented politicians and students and researchers of international politics.

development policy dialogues taking place in the World Bank Board of Directors. In the end, however, the two ministers and the top civil servants in the Ministry for Foreign Affairs lacked the will to change the tradition, and to nominate, not an export credit expert as was finally the case,⁷⁸ but an expert in social development focused on poverty reduction to represent the Nordic and Baltic points of view in the Executive Board. The MFAF was nevertheless not paralysed by this disappointment. Quite the contrary, the Ministry (primarily Finnida) has prepared an interesting Plan of Action for Finland's three-year-term on the Executive Board of the World Bank. During that period the internal co-ordination of the Nordic-Baltic voting group also takes place in Helsinki. The Plan of Action exists, thus far, only in Finnish. Because it is one of the few documents where Finnida discusses the operationalisation of the poverty reduction objective, some of its main points, with reference to poverty reduction, will be summarised here.

The Plan of Action begins from the premises laid down by Finland's basic aid policy documents, the 1993 Strategy and the 1996 Decision-in-principle. Also in the World Bank, it is Finland's mission to promote actions to reduce poverty, to protect the environment and to promote social equality, democracy and human rights. The Bank's internal reform programme, the Strategic Compact, has much the same objective: to make the Bank a more effective instrument in reducing poverty. Finnida believes that the interaction with the World Bank can be mutually inspiring. Thus, Finland is not only trying to influence the way the Bank works, but also wishes to be enlightened by the Bank's high standard of analytical work (e.g. poverty reports, sector strategies, indicator design, evaluation reports). Already in 1996 Finnida benefited from the one-day seminar organised in Helsinki with representatives of the Bank's Poverty Reduction Think Tank.

The International Development Association is the World Bank's most important operational instrument for the poor countries and, thus, Finnida's main focus in the Bank. In the Finnish view, poverty reduction should remain IDA's overarching goal. According to the Finnish interpretation, in the late 1980s it was realised within the IDA that macroeconomic adjustments alone would not produce the desired poverty-reducing impacts. Action was needed also in the areas of income distribution and employment generation, the social sectors and social security systems. Finland agrees with the conclusions drawn within the IDA, that more resources and attention will

⁷⁸ Mr Ilkka Niemi, the new Executive Director for the Nordic-Baltic voting group, is a distinguished and experienced expert on export financing and guarantees. His experience is thin, however, on development policy issues, especially on social, human and institutional development issues, which are likely to be high on the Executive Board's agenda as the Bank is now committed to turning the 'internal structural adjustment programme', the Strategic Compact, into reality, 'to make the Bank more effective in reducing poverty', as the Strategic Compact promises.

have to be focused on primary education, health services, nutritional issues, family planning as well as environmental issues, especially in rural areas. Within the Executive Board Finland will support those tendencies and opinions which urge the IDA to use special expertise to focus on such basic issues as poverty, the environment, good governance, participation, democratisation and gender. The development of human capital should receive a higher priority among IDA's goals. The least developed countries, especially in sub-Saharan Africa, should have a special, privileged status as IDA partners.

Finland is also very encouraged by the experiences gained in the World Bank- co-ordinated SPA-process,⁷⁹ and motivated to continue its support for the fourth phase of the process, SPA-4, in some of Africa's poorest countries. The Finnida economic adviser – Finnida's 'focal point' on poverty reduction issues – takes an active part in the SPA Working Group on Poverty and Social Policy.

Finnida's Annual Aid Report to Parliament introduces the basic characteristics of the SPA in a separate section under the heading: 'Poverty Reduction'. According to Finnida (Hallitus/Ulkoasiainministeriön kehitysyhteistyöosasto, 1996: 37):

the corner stone of the SPA programme is the rehabilitation of public finance, which has been shown to have direct positive impacts on economic growth. On the other hand, economic growth is a necessary but not a sufficient condition for poverty reduction. It must be

⁷⁹ The Special Programme of Assistance for Africa (SPA) is a joint learning and co-ordination process of 17 bilateral donors, the World Bank, the IMF, the UNDP, the European Commission and the AfDB. The programme was started in 1987 when it became apparent that the poorest and most heavily indebted countries of Africa would not be able to get back on to their own feet without external assistance. SPA-1 in 1989-91 covered 20 sub-Saharan African countries. SPA-2 added another 7 countries, and SPA-3 another 4 African countries to the programme. Development of the donors' shared understanding of the most meaningful strategies for poverty reduction has been one of the central elements in the SPA-process. During the first three phases of SPA (1987-96) the World Bank was clearly the intellectual leader. In the design of SPA-4 for 1997-9 several bilateral donors have been less prepared accept World Bank thinking at its face value. As a result, the programme strategies and the recommendations of the SPA working groups look more like genuine compromises between the views of the various bilateral and multilateral donors than the previous World Bank-dictated directives that other donors were expected to follow. Nevertheless, from the Bank's point of view, the SPA clearly reflects its concern about the negative growth of the member states' share capital contributions to the IDA from their multilateral budget. For the Bank SPA is an important mechanism for tapping extra resources from the member states' bilateral budgets and pooling them with IDA funds for purposes - at least mainly, if not totally - planned and controlled by the Bank. The estimated financial needs of SPA-4 will be about US\$27 billion.

complemented by measures ensuring the broad distribution of the fruits of that growth, and with special support targeted to benefit the poor population groups. Access to the basic social services is a necessary prerequisite that allows poor people to be able to take part in productive activities. Structural reforms sometimes have negative short-term impacts on some poor people's livelihoods. Therefore specially targeted safety-nets for vulnerable groups have become an essential part of the joint SPA strategy for poverty reduction.

Finnida further reports to, that the main efforts in SPA-4 (in 1997-9) will be:

- to maintain economic stability;
- to strengthen local capacities and the development impacts of public expenditure;
- to strengthen the interlinkages between reform programmes, economic growth, poverty reduction and the status of women;
- to intensify progress monitoring at the country level.

According to other Finnida documents

The SPA is a unique forum for increasing mutual understanding among donors and for successful co-ordination. The Special Programme is the world's intellectual leader on poverty reduction. Especially the SPA Working Group on Poverty and Social Policy has – despite its problems – achieved remarkable results and reached further than any other organisation or programme in the world in the thinking, policies and methodologies of poverty reduction. The Special Programme has also provided a forum for deepening the dialogue with the African partners. This has helped in spreading new thinking among donors and recipients, e.g. about conditionality, sector programmes, the principle of single-country strategies and the concept of 'ownership'. (Ulkoasiainministeriö /KYO-22, 1997c)

Finland will support the broad agenda of SPA-4, but will also seek possibilities to focus the forum's attention on the special concerns of disabled people and other vulnerable population groups.⁸⁰ In the Finnish view, the SPA should focus on sustainable development in the poorest

⁸⁰ STAKES, the National Research and Development Centre for Welfare and Health in Finland has recently published - for and on behalf of the United Nations - an excellent manual on approaches and methods that help to include the special needs and concerns of disabled people in development planning (Wiman, 1997).

countries of Africa. It should also find ways to promote human rights, equality and democratic processes. The SPA provides an opportunity to bring the various channels of aid, including the NGOs, closer to each other to provide coherence for the external assistance of sub-Saharan Africa. (Haili, 1996)

Another World Bank-co-ordinated initiative that Finland considers of the utmost importance for the poorest countries is the HIPC-initiative, which seeks solutions to the unsustainable debt burdens of the 'Highly-Indebted Poor Countries' (HIPC).⁸¹ In principle, Finland has a very positive attitude towards the HIPC, but, together with Sweden, it has insisted that in order for the initiative to make a real impact the largest creditor countries in the G7-group⁸² must commit themselves to financing the initiative. Thus far Finland has decided to support the World Bank HIPC Trust Fund with some US\$12 million during 1998-2000, and in addition to donate some US\$0.4 m. to the HIPC-related debt strategy training programme for the civil servants of the HIPC countries.

According to the Plan of Action, Finland underlines the need for a country-specific approach in analysing the broad contexts in which the debtor governments operate. In its view the creditor countries must be able to co-operate and to share the cost burdens equally among multi- and bilateral donors. On the other hand, it emphasises the issue of ownership. The debt initiative can only succeed if the debtor country commits itself to taking full responsibility for conducting economic policies that allow it to take full advantage of the additional external support. Of the few first HIPC countries Finland is especially interested in Mozambique and Nicaragua.

⁸¹ Third World debt has been an issue on donor agendas since the Mexican debt crisis of 1982. Since then more and less serious and successful debt-rescheduling initiatives have been made. During the first half of the 1990s it became clear that the unrealistic debt burdens of some of the poorest countries had also become a risk to the financial sustainability of various international development programmes. It was also admitted that without extra support the poorest and most highly indebted countries could not repay their debts even if they obeyed every detail of the economic reform and policy advice of the international financial institutions. The HIPC Plan of Action was unanimously approved at the joint World Bank/IMF Development Committee meeting in October 1996. All in all, 41 countries have been judged eligible for the HIPC. 20 of them will become part of the arrangements after a so-called 'debt sustainability analysis' has been undertaken for each country. Most of these 20 are from sub-Saharan Africa, and 5 of them belong to the group of Finland's primary co-operation countries: Ethiopia, Zambia, Tanzania, Mozambique, Nicaragua. The Paris Club creditors have agreed to forgive 80% of the debts of those countries which go through the debt reform programme under the HIPC.

⁸² Or G8 including Russia.

In Board discussions on World Bank country assistance strategies (CASs) in individual debtor countries Finland has decided to emphasise that the merits of the developing countries should not be measured simply by economic, financial and commercial indicators, but that indicators of institutional and human development, social development, good governance and sound environmental management must also be monitored and taken into account. Finland finds it important that the merits of the World Bank itself and of its staff are monitored and assessed not only on the basis of quantities (millions of dollars loaned), but primarily on the basis of the quality and sustainability of the impacts made.

Finland strongly supports the idea presented in the World Bank's own 'Strategic Compact', according to which the Bank should replace its present headquarters-biased approach to strategic planning by a much more decentralised, country-specific approach.

The Finnish Plan of Action recalls that the Bank's own assessment of its main weaknesses identifies inadequate knowledge and poor understanding of the social dimensions of development as some of the most common reasons why so many of the Bank's own projects have failed. Finland will support the Bank's efforts to include proper social analyses and participatory methodologies in all its activities. Also, according to the Finnish document, the Bank should strengthen its in-country offices – as well as HQ – by employing more social scientists and other social development advisers and liaison officers to link up with the NGOs active in the country concerned.

According to the document Finland believes that the World Bank should not pretend to be apolitical. On the contrary, it is important that the Bank and the other donors do not close their eyes to issues such as corruption. Broad and active participation, democratic procedures as well as an active focus on gender⁸³ are central aspects of Finland's agenda on all fora, including in the Bank.

Its Plan of Action expresses the Finnish government's concern about the marginalisation of the poorest countries, as aid figures seem to be dropping and as the increasing foreign direct investment seems to flow highly selectively to only a small number of countries. The World Bank's efforts to promote the private sector and to create meaningful guarantee mechanisms are therefore considered promising approaches to creating an enabling environment in the poorest developing countries. Finland supports the African Project Development Facility (APDF) and the Foreign

⁸³ The World Bank's own Gender Plan of Action defines three strategic areas where the Bank will focus its own gender agenda: a) investments in women's intellectual capital; b) promotion of women's economic conditions and operational capacity; c) development of social institutions that can strengthen women's position and welfare.

Investment Advisory Service, two facilities operating under the International Finance Corporation to promote private investment in poor countries. Finland takes part in the World Bank-led Consultative Group to Assist the Poorest (CGAP), a joint forum of several donors interested in promoting micro-level savings and credit institutions. Finland emphasises that the environmental and social factors of development must be taken into account as seriously in private sector development as elsewhere.

In addition, Finland is engaged in 15 joint financing projects with the World Bank.⁸⁴ In its view this mode of operation provides an efficient channel for Finland to be present, and active, in countries where it otherwise has no presence of its own. The whole idea of joint financing is becoming increasingly popular and attractive among the Finnida management, who recognise the built-in conflict between the two objectives expressed in the Decision-in-principle: i) to extend Finland's contact surface in developing countries; ii) to channel most of the aid funds to long-term co-operation in a small number of primary partner countries especially in sub-Saharan Africa, where the broad operational context (social, cultural, political, economic, ecological, etc.) can be understood well enough. Joint financing can be a handy compromise: Finland can establish a new partnership with a new developing country, if it can be done jointly with another donor, who already has longer-term experience from working in that particular country.

⁸⁴ In Vietnam, Nepal, Mozambique, Egypt, Central Asia (Aral Lake), Kyrgyz Republic, the Mekong area (Laos, Cambodia, Vietnam), West Bank/Gaza, Bosnia.

6. Lessons Learned from Evaluations – Institutional Learning Capacity?

In the 1990s Finnida has made tremendous strides in improving its own capability in assessing aid effectiveness (OECD-DAC, 1995). The number and quality of evaluations and assessments produced in recent years is impressive. Most noteworthy among the many excellent thematic evaluations by the Central Evaluation Unit are 'Effects of Impacts?' (a synthesis study of all evaluations commissioned by Finnida 1988-1995) (Koponen and Mattila-Wiro, 1996), the 'Ownership-evaluation' (Moore *et al.*, 1996), the Tanzania country programme evaluation (Porvail *et al.*, 1995), the evaluation of the NGO support programme (Riddell *et al.*, 1994) and of the Finnish volunteer programme (Wilson and Noster, 1995), as well as the evaluations of the mixed credit scheme (van der Windt *et al.*, 1992a), FINNFUND (van der Windt *et al.*, 1992b) and the humanitarian aid programme (Nyholm *et al.*, 1996), and a comparative evaluation between Finland's and the EU's development co-operation (Hårstad *et al.*, 1995). The most interesting ongoing evaluations are the 'culture', 'environment' and 'poverty' evaluations (the last planned to start in 1998 as a forward-looking evaluation to begin where this current European-wide comparative poverty research ends.)

Many lessons have, thus, been absorbed from evaluations. However, a recent interview survey among Finnida management, staff and the reference groups⁸⁵ disclosed that, in contrast with the officials at operational level who find the evaluation reports very useful, the top management hold the evaluations in low regard, and consequently seldom read the reports and seldom feel the responsibility to react to the findings in any way other than trying to kill them off by silence. The interviews suggested that the management perceived the evaluation function as a control mechanism, whereas the majority of operational staff regarded it as an in-built learning mechanism and management tool. The review report is thus a painful reflection of the confused situation obtaining within Finnida today. Some of the main lessons learned from the evaluations are summarised in Table 1 (page 24).

⁸⁵ Finnconsult (1997). The survey was conducted in January-May 1997, by thematically structured interviews of 8 members of Finnida top management, 3 members of the Central Evaluation Unit, 22 other staff members at Headquarters and 19 members of other reference groups, working closely with and/or for Finnida (NGO people, consultants, politicians, researchers). 10 Finnida representatives working in embassies in the primary co-operation countries were interviewed by mail, fax and/or telephone, using a standard questionnaire.

According to the survey the management regard evaluation as necessary to make Finnish development co-operation transparent and thereby accountable to tax-payers, to whom the Department is ultimately responsible. But they see it as a necessary evil rather than a constructive contribution to their work. What comes to the fore in discussions is the negative impact on the public image of development co-operation that is seen to emanate from evaluations and their use by the media. Such negative publicity is directly damaging to policy-making, which the management consider their primary responsibility.

This management view of evaluation as a necessary but fairly dangerous and unconstructive 'trouble-shooting' exercise diminishes its utilisation within Finnida, a fact that is recognised to a certain extent by the management themselves: 'The role of evaluation as a management tool has been insufficiently debated... The management has not taken up all the possibilities evaluation has to offer... Not enough 'SO WHAT' -questions have been asked based on evaluations... The management should play a more active role' (Finconsult, 1997: 11).

The whole management style of Finnida can be termed 'loose' (ibid). At the departmental level there are no standing rules or guidelines as to how evaluation information should be integrated into the decision-making and operations of the organisation. The management themselves and the officials question the need for tighter regulations and appear to favour informal exchange of views as a basis for decision-making, a habit well reflected by the present author's own observations at Finnida headquarters. Many staff members spend whole working days at internal Finnida meetings or communicating with colleagues within the same building. For those working outside headquarters, e.g. the few ambassadors or development co-operation officers in the embassies in primary partner countries, this mode of decision-making can be very confusing. 'You send to Helsinki a clear proposal, well conceived in a participatory planning process within the aid-receiving country. You never know how long the proposal takes to go through the decision-making process in Helsinki, and how it changes on its way', was a comment.⁸⁶

The so-called 'Ownership-evaluation' conducted in 1996 observed a strong sense of individualisation -- of being on one's own, without support from colleagues or management, weighed down by 'bureaucratic' procedural requirements, and inadequately trained, informed or stimulated. The evaluators' general conclusion was that there was a 'weak management culture within Finnida, lacking in integrative power' (Moore *et al.*, 1996: 64). They recommended: 'Measures to improve the professional competence and morale of staff (should be) a priority' (ibid: 63). They were also concerned about the rapid turnover of Finnida staff and recommended: 'It

⁸⁶ Personal communication with informants who wish to remain anonymous.

is important that the Department encourage the development of a more reflective, analytical culture within the organisation, and support individual staff members to develop their own analytical capacities' (ibid.: 65).

Unlike the management the majority of Finnida staff, consultants and other members of the aid constituency value the relevance and usefulness of the evaluation results for their work. Several Finnida staff felt, however, that their voice was not sufficiently heard in the Evaluation Unit, and that management failed to provide enough direction as to how various evaluations and their recommendations should be reacted to. The unanimous feeling among interviewees was that their working conditions were approaching the unreasonable. No-one had time to go into detail on anything; tasks had to be quickly prioritised and rushed to completion. In such a situation evaluation products had no priority.

Nevertheless, the majority of interviewees clearly acknowledge the importance of evaluation for their daily work and professional skills in general. One proposed solution to the problem of the lack of time might be for the evaluation unit to become more of an information broker or information 'bank' which would analyse, structure and store the data.

7. Concluding Perspectives

Thanks to the excellent evaluations of the 1990s, Finnida is now in a position to know its strengths and weaknesses better than ever before. But knowing, admitting and changing are three different things. The severe cuts in aid volumes between 1992 and 1995 certainly damaged Finnida (including the embassies in the South) in organisational terms, and may therefore have impaired its capacity to respond effectively to the constructive self-criticism and new policy initiatives presented in the past few years (OECD-DAC, 1995).⁸⁷

Poverty reduction is the first among the three overarching goals of Finland's development co-operation,⁸⁸ the other two being to combat environmental threats and to promote empowerment (social equality/democracy/human rights). Finland expects recipient governments and institutions to show commitment to these same goals. Lack of commitment is regarded as a justification to freeze or terminate the aid relationship.

The combined share of Finnish aid going to the least developed (LLDCs) and the low-income countries (LICs) has declined from 92% in the late 1980s to only 59% in 1994/95, and the share of LLDCs from 60% in 1987/88 to 34% in 1994-95. (These figures are still at the high end among the OECD-DAC donors, however.) In any case the government has reconfirmed its commitment to allocate the major part of Finnish aid to the poorest countries, especially in sub-Saharan Africa (Cabinet, 1996).

According to the government's Decision-in-principle the best ways for the aid administration to put the poverty reduction objective into practice are to support economic and social reform programmes, human resource development for self-reliance, basic services in education and health (family planning and reproductive health as integrated parts of basic health services), food security by self-reliant agriculture, participation and education of girls and women, and, lastly, drawing particular attention to the status of disabled people. More operational objectives for

⁸⁷ The poor response to constructive self-criticism within Finnida is somewhat surprising, considering the self-criticism promoted and tolerated by most of the multilateral aid organisations which Finland belongs to (e.g. the World Bank under the new President James Wolfensohn, the UNDP under Gus Speth and the European Commission, encouraging a critical review of all of its aid instruments while preparing for the next Lomé Convention with the ACP states).

⁸⁸ To be precise, it is one of the three main goals of Finnish development co-operation, MFAF, 1993; Cabinet, 1996).

poverty reduction are seen to depend on the specific causes of poverty in each particular society at each particular time. The poverty situation should therefore be analysed in every country strategy and always in the bilateral country negotiations. In reality, this is seldom the case.

Confidence in the poverty-reducing capacity of project aid in general, and aid-funded investments in particular, has eroded in the Finnish aid administration. Finnida now places growing emphasis on the catalytic role of aid in policy dialogue, especially on human rights, democracy and good governance (fiscal management, broad participation and income distribution), as preconditions for poor country governments' policies in favour of the poor.

Up to now, the operational guidance, training and incentives provided for Finnida personnel and consultants to develop their professional skills and to learn more about poverty and poverty reduction have been scarce and weak. Recently, however, a determined effort to embark on an open-ended internal learning process has been discernible. Finnida has initiated an interesting series of studies targeted on increasing the knowledge, skills and motivation of its staff concerning those issues which are at the core of Finland's aid strategy (participation, poverty, the environment, human rights, democracy, the cultural dimension of development) but where the gap between policy rhetoric and day-to-day action needs to be bridged. At the same time, new guidelines have been designed, but are not yet internalised. The human skills and working tools for effective poverty-reducing development assistance are still very unevenly distributed within the organisation. The user-friendly applications that could bring them into the day-to-day routines of the less specialised and less motivated members of the staff are constantly at risk of being marginalised in the accelerating organisational turbulence within the Ministry, which is driven by a basket of foreign policy and commercial motives in which the goal of poverty reduction weighs surprisingly little.

The consultants that manage Finnish funding to aid projects have emerged as an area of relative strength in the aid system (Moore *et al.*, 1996: 65-6). They have substantially adapted to the new poverty-oriented, participatory and ownership-sensitive agenda and have at the same time become increasingly competitive internationally. These are positive trends that should be supported and encouraged. A meaningful role should also be created for the consultants in policy dialogue,⁸⁹ a growing area of co-operation. The incentive structures need to be changed so that they encourage consultancy companies to recruit not only Finnish experts but also experts from the 'South'.

⁸⁹ For instance in the country-level negotiations about reforms in macroeconomic and fiscal management, local government and sectoral policies.

For a long time Finland was more reserved than many others in giving programme aid. At the moment it is committed to 'single-country strategy' thinking. It is also interested in intensive donor co-ordination and joint financing of sectoral reform (sectoral development, sectoral investment) programmes in pro-poor sectors like education, health, forestry, agriculture etc. At the EU, UN and World Bank levels it has systematically emphasised that poverty, rather than historical, geopolitical or commercial considerations, should be the decisive eligibility criteria for multilateral assistance.

According to evaluations commissioned by Finnida, the mixed credit programme has diverted Finnish aid funds away from the intended main beneficiaries of Finnish aid: the most disadvantaged population groups in the poorest countries. The NGOs have been relatively better in reaching the poorest. The government has therefore committed itself to reducing the proportion of mixed credits in the aid budget, and to increasing the share channelled through NGOs. The widespread perception among Finnish taxpayers, politicians as well as aid officers about the purpose of development co-operation is that it is intended to reduce the welfare gaps between the industrialised and the poor nations. It is not uncommon in Finland to think that poverty-oriented development co-operation is a symbol of a civilised nation (Paasio, 1996; Pertti, 1996). The same logic makes most Finns think that as long as unnecessary and dehumanising poverty exists, the main purpose of Finland's development aid can be nothing but reduction of such poverty.⁹⁰

A real complication is that there is no – nor could there be – 'Official Finnida Truth' about poverty, poverty reduction, or development. Instead, within Finnida – as elsewhere – there is an ongoing battle between different schools of thought, world views, development theories and political ideologies. It is not suggested here that any in-house working definitions could do away with the contestability of the concept of poverty reduction. But by establishing at least temporary 'ceasefires' in the moral, ideological and intellectual battles, such working definitions (compromises, averages, typical views) and user-friendly guidelines could help the aid agency function more effectively.

Finally: realistic ambition levels, brave selectivity and a devolution of authority and resources to a smaller number of Finnish embassies or regional offices could help. Draw a logframe, write 'poverty reduction' into the 'purpose' box, and see what comes out.

⁹⁰ A November 1997 opinion poll commissioned by Finnida indicated that 'poverty reduction' has recently gained weight among the most important goals set by Finnish tax-payers for Finland's development co-operation: 36% of interviewees regarded poverty reduction as the single most important goal of Finnish aid, 12 percentage points more than in the previous opinion poll in 1995. (Taloustutkimus, 1997: 11 + table).

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