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Boon or bane
to aid effectiveness?**

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ABBREVIATIONS

ADC	Austrian Development Cooperation agency
AfT	Aid for Trade
AIT	Asian Institute of Technology
ALBA	<i>Alianza Bolivariana para los Pueblos de Nuestra América</i> , The Bolivarian Alliance for the Peoples of Our America
ASEAN	Association of Southeast Asian Nations
AU	African Union
BMP	Bara Management Project
BRIC	Brazil, Russia, India and China
CA	Central America
CBFM	Community Based Forest Management
CCAD	<i>Comisión Centroamericana de Ambienté y Desarrollo</i> , Central American Environmental Commission
CDF	Community Development Fund
CEDAW	UN Convention on the Elimination of All Forms of Discrimination against Women
CPC	<i>Consejos de Poder Ciudadano</i> , Councils of Citizen Power
CSO	Civil Society Organisation
CTA	Chief Technical Adviser
DAC	Development Assistance Committee of the OECD
DfID	Department for International Development, UK
DWSS	Department for Water Supply and Sewerage, Nepal
EEP	Energy and Environment Partnership
ERCERP	<i>Estrategia Reforzada de Crecimiento Económico y Reducción de la Pobreza</i> , Nicaragua's Enhanced Strategy for Economic Growth and Poverty Reduction
ESAF	Enhanced Structural Adjustment Facility
EU	European Union
FAO	Food and Agriculture Organization of the United Nations
FBD	Forestry and Beekeeping Division, Ministry of Natural Resources of Tanzania
FED	<i>Fondo de Equidad y Desarrollo</i> , Gender Equality and Development Fund
FOMEVIDAS	Support to Rural Development and Poverty Reduction Sectoral Programme
FVA	Finnish value-added
GAD	Gender and Development

GBS	General budget support
GDP	Gross domestic product
GE	Gender equality
GNI	Gross national income
GoN	Government of Nicaragua
GTZ	<i>Deutsche Gesellschaft für Technische Zusammenarbeit GmbH</i> , German Technical Cooperation
HDI	Human Development Index
ICI	Institutional Co-operation Instrument
ICT	Information and Communications Technology
ILO	International Labour Organisation
JAST	Joint Assistance Strategy for Tanzania
IDA	International Development Association
IMF	International Monetary Fund
JFM	Joint Forest Management
KYO	<i>Kehitysyhteistyösasto</i> , Department for Development Cooperation
LIDAR	Light Detection and Ranging
LIMAS	Lindi and Mtwara Agribusiness Support project
MDG	Millennium Development Goal
M&E	Monitoring and evaluation
MFA	Ministry for Foreign Affairs of Finland
MKUKUTA	<i>Mkakati wa Kukuza Uchumi na Kupunguza Umaskini</i> Tanzania, National Strategy for Growth and Reduction of Poverty
MLD	Ministry of Local Development, Nepal
MTR	Mid-term Review
NC	National Coordinator
NEPAD	The New Partnership for Africa's Development
NFBP	(Tanzanian) National Forest and Beekeeping Programme
NFP	(Tanzanian) National Forestry Plan
NGO	Non-governmental organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PAF	Performance Assessment Framework
PER	Public Expenditure Review
PFM	Participatory Forest Management

PPP	Public-private partnership
PROCAFOR	<i>Programa Regional Forestal para Centroamérica</i> , Regional Forestry Programme for Central America
PRODEGA	<i>Proyecto de Desarrollo Rural Ganadero</i> , Rural Development Programme
PROGESTION	<i>Programa de Fortalecimiento de la Gestion Municipal y Desarrollo Local</i> , Municipal Management and Local Development Strengthening Programme
PROPEMCE	<i>Programa para la Promoción de Equidad Mediante el Crecimiento Económico</i> , Enhancing Small Enterprise Growth and the Provision of Opportunities for Women and Excluded Populations in Nicaragua
PRSP	Poverty reduction strategy paper
RCU	Regional Coordination Unit
RE	Renewable energy
REDD	Reducing Emissions from Deforestation and Forest Degradation
RWSSP	Rural Water Supply and Sanitation Project
SADC	Southern African Development Community
SAP	Structural adjustment programme
SARED	<i>Programa de Salud Reproductiva, Equidad y Derechos</i> , Health, Equality and Rights Programme
SAREM	<i>Salud Reproductiva y Empoderamiento de la Mujer</i> , Reproductive Health and Women's Empowerment
SC	Steering Committee
S&EA	Southern and East Africa
SICA	<i>Sistema de la Integración Centroamericana</i> , Central America Integration System
SRH	Sexual and reproductive health
SSM	Sikh Saw Mills Ltd
SWAP	Sector Wide Approach
TA	Technical assistance, or Technical assistant
TAS	Tanzania Assistance Strategy
TFAP	Tanzania Forestry Action Plan
TFESSD	Trust Fund for Environmentally and Socially Sustainable Development
TFS	Tanzania Forest Service
TWICO	Tanzania Wood Industries Corporation
UK	United Kingdom
UM	<i>Ulkoasiainministeriö</i> , Ministry for Foreign Affairs of Finland
UN	United Nations
UNECA	The United Nations Economic Commission for Africa

UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UN-REDD	The United Nations Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries
WASH	(Ethiopian) Water, Sanitation and Hygiene programme
WB	World Bank
WHO	World Health Organisation
WID	Women in Development
WSSD	World Summit on Sustainable Development

EXECUTIVE SUMMARY

'Finnish value-added' (*suomalainen lisäarvo*) and 'aid effectiveness' are relative new concepts in the development discourse in Finland. As with all concepts, they have many uses. In this study, it is argued that first of all they have to be understood as political concepts which in themselves entail many meanings and which can be used in many different ways. As such, their political usefulness varies. Even if they have been prominent in Finnish aid discourse during the last few years, that prominence may now be receding. Whereas 'effectiveness' still remains as one of the key principles guiding Finnish development policy, the concept of 'Finnish value-added' no longer appears in the new, 2012 Development Policy Programme. But it is also in the nature of political concepts that, even if they come and go, the underlying concerns are much more persistent. In our case, the question that is bound to remain is whether a small donor such as Finland can make a difference in its development cooperation by bringing in something extra beyond the sheer volume of aid – i.e. money – and what that extra might be. It is this question that in this study is seen as representing the crux of the notion of 'Finnish value-added' in a broader, more analytical sense, and this is how the concept is used here. The Finnish value-added is thus understood as that 'something extra' that Finland can bring to development cooperation.

This study, commissioned by the Ministry for Foreign Affairs (MFA) of Finland from an independent academic Finnish-Tanzanian-Nepali research team, takes a critical look at Finnish value-added, in all of its senses. 'Critical' here does not mean a preconceived negative value judgment, but an attempt to thoroughly look at the origins and understand the foundations of the thinking underlying the concept. The team asks where such value-added is seen as coming from. Is it something peculiarly 'Finnish' – technology, expertise, skills, attitudes, values, patterns of behaviour? Or something more general that the Finns concerned have learned and acquired during the years of cooperation and can now bring to bear on their activities concerning developing countries as a part of wider donor constellation? In other words, has Finnish value-added, whether conceived more broadly or narrowly, thought to be something intrinsically Finnish that at least most, if not all, the Finns somehow to some extent share, or could it be something more generic that the Finns concerned happen to have but share with many others? And regardless of whether there actually is such a thing as Finnish value-added, and whatever it may be, how does the quest for it affect aid effectiveness, in this case the modalities and outcomes of Finnish aid?

These issues are discussed by undertaking an examination of the notions of

‘Finnish value-added’ (FVA) and ‘aid effectiveness’ and their interrelationships both at the conceptual level and in practise, and looking for their underlying driving forces. Our starting assumption, which was confirmed by the study and became one of our conclusions, is that there is no necessarily predetermined relationship between aid effectiveness and the efforts to promote Finnish value-added in development cooperation. Such efforts may enhance effectiveness, but they can also undermine it; and it is also possible that they do not matter at all. All depends on how these very notions are understood and deployed. For this reason the meanings in which these notions have been used in discourse are looked at first. A ‘correct’ definition of their meanings has not been pursued, as it is believed there is none: rather we have sought the various meanings assigned to the concepts and used in the discourse. . Only on that basis has it been possible to assess whether and in which cases Finnish value-added enhances or undermines aid effectiveness, or whether it matters, and consequently to assess the value of FVA as a guiding principle for development cooperation policies.

It was expected from the start that these research questions would be tricky and challenging, and the expectation was amply borne out by the actual research. During the research, which took place not predominantly in Finland but in a number of selected partner countries, mainly Tanzania, Nepal, Nicaragua and Ethiopia, many and varied definitions of both ‘Finnish value-added’ and ‘aid effectiveness’ were encountered. The attitudes towards these notions ranged from naivety and enthusiasm to bureaucratic acquiescence and polite attention and further to cynicism and outright rejection.

This study starts out by examining the concepts of Finnish value added and aid effectiveness: first mapping out their changing meanings and proceeding to examine how they have been introduced and deployed in Finnish development cooperation, while also seeking the long-term political and intellectual foundations underlying them. It is argued that although their conceptual history may cover only some 10 years, the thinking on which they are based is much older and lives on. This mind-set comes from the early years of the formation of Finnish development cooperation; and there is nothing in the new policy line to bring it to an end. In this sense ‘Finnish value-added’ (FVA) is not only a concept explicitly used in policy discourse, but also a broader notion which can be and has been used for analytical purposes in our analysis. FVA is investigated both as a political concept and in the broader sense: of how it has been understood and defined in different times and for different purposes, regardless of whether it has been referred to by that particular term, FVA, or not.

Some historical examples are presented first. Two sectors that have traditionally been prominent in Finnish aid are looked at in detail: forestry and rural water.

Forestry is examined by comparing the long-term evolution of the modalities and practices of Finnish development cooperation activities along with what is known of their effects and impacts in two major partner countries, Tanzania and Nepal. The rationale for choosing them for comparison is that the trajectories of Finnish forestry aid have been very different in these two countries. Tanzania is characterised by a continuity in presence and abrupt changes in approaches, while Nepal shows more coherence in the approaches but a glaring ten-year gap in the actual presence of aid activities. In the water sector, here meaning provision of household water, approaches have followed a certain pattern of the top-down application of Finnish technology, exemplified by the case of the Mtwara-Lindi project in South-Eastern Tanzania, moving to more community-based approaches, first in Nepal and more recently in Ethiopia where even a considerable degree of financial responsibility has been given to the locals. In both sectors it can be seen how the originally technologically dominated quick fix approaches have turned into more value-based ones. Importantly for our discussion of FVA, both approaches have been informed by an awareness and a predilection to consciously or unconsciously apply Finland's own development experience.

The next example presented has been chosen to more closely study those values whose growing importance has been seen as a megatrend in Finnish development policy. The case selected here is the promotion of gender equality in Finnish development cooperation – both in general through gender mainstreaming, and more specifically in contemporary Nicaragua through NGO support. Although gender equality is hardly something unique to Finns in the donor community, it is keenly felt by many, and certainly accepted by the great majority of Finns, that relative gender equality is something that is valuable in the Finnish society. As such, the value placed by Finns on gender equality provides a good rationale for its wider promotion through development policies. Although our analysis shows that the resources and practices deployed in the promotion of gender equality do not match the rhetoric, and that 'policy evaporation' takes place, it is also argued here that gender equality remains a potential element for defining Finnish value addition in development cooperation. However, it cannot be expected that gender equality, or any other Finnish value or historical experience, would automatically be transferable from one social and historical context to another, entirely different one.

While in the above cases FVA has been understood as stemming from something peculiarly Finnish, be it understood as technology, expertise, skills, attitudes, values, patterns of behaviour, etc., a fundamentally different way of understanding FVA is also investigated here. FVA is seen as being a contribution by the Finns that stems less from any essential 'Finnishness', in whatever way that is defined, but more from the way the individual Finns working in a certain context, with their

collective and individual expertise and skills and values, make resources available and enter into differing constellations with their partners and other donors. This type of added value is discussed by looking at how the new aid 'architecture', with its demands for recipient ownership and donor harmonization, along with alignment and donor division of labour, actually work in Tanzania and Nicaragua, and what has been the place and contribution of the representatives of Finland working within this framework. Here a key argument is that much depends on the actual people on the spot, but these people work within an administrative framework that could be made much more conducive to country-level collaboration between donors and partners, as well as among donors.

As FVA could conceivably also be seen as a precisely targeted contribution which could have a catalysing effect within a broader whole, two cases aimed at that purpose are examined. One is the Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) that Finland has been, together with Norway, funding at the World Bank. This is an example of influencing a large multilateral institution: it illustrates how Finland has attempted, and largely succeeded, in infusing its values into the work of the World Bank. The other case presented here is that of the Energy and Environment Partnerships (EEPs), which are meant to create replicable public-private partnerships (PPPs) for the use of renewable energy in selected developing regions. The idea behind the PPPs is the provision through Finnish aid of seed money that would make it attractive for private companies and NGOs to combine to carry out innovative projects which would have a much greater effect than the original contribution could have had on its own. Although the implementation of this concept has suffered from a number of weaknesses in Central America where it was first tried, it is thought that it could have some prospects for use in other regions.

All the above issues are approached from a Finnish point of view, although the perceptions of the partners have naturally been integrated into the analysis where appropriate. But if one really wishes to consider how Finland can best participate in and produce results in global development efforts, the discourse needs to overcome an aid-centred and Finnish viewpoint and to give more weight to views from the South. To achieve this, an investigation is carried out on the way Finnish aid has been received in the partner countries, and on how the Finns have been perceived as partners. Some of the Southern critique of aid, which is becoming more common but is seldom publicly aired, is also briefly presented. This critique from the South, combined with the fact that the significance of Official Development Assistance (ODA) as a whole is diminishing in comparison to alternative resources which are becoming available, has increased demands for the planned phasing out of aid altogether and the creation of exit strategies. With all these developments in

mind, we then ask what might be the role of Finnish development cooperation in the emerging configuration.

Both the guiding concepts and the practical applications of 'Finnish value-added' have greatly changed during the half century of Finnish aid. FVA was originally seen as the aid-funded export of what were regarded as competitive technology and know-how for purposes of modernisation. Then it transformed into the export of the liberal values of global capitalism based on a market economy, when Finland's aid funds were slashed during the depression of the early 1990s and Finland joined the EU and became firmly anchored in the West. The megatrend has been the transition from more technologically-oriented towards more value-based aid. When the demand for a coordinated donor division of labour intensified, culminating in the Paris Declaration and its successor international conventions and declarations, the need for Finland to define its own specific place in the new international aid complex became more acute. Finnish value-added was for the first time defined as a specific policy concept in the 2004 policy paper, in which FVA was defined in terms of Finland's own development experiences, which somehow were seen as reflecting the then current global liberal values. In 2007 Finland's development policy returned to a more technologically and commercially oriented concept of FVA, while the 2012 implementation programme swings back to value-orientation but without the backstopping of the FVA concept per se.

The study concludes with a number of theses and policy recommendations. One of the primary conclusions is that vague and contested policy concepts such as 'Finnish value-added' are poor policy guidelines that create unnecessary confusion: there is no way to determine a general relationship between Finnish value-added and aid effectiveness, since the determination of the relationship depends on how these two concepts are being defined and used. The issue itself, however, is crucial and will remain. From the partner's point of view, aid funds are important in themselves; and the value of what a donor provides in addition to funds should not be for the donor to decide unilaterally. Aid must be negotiated on the ground with partners and other donors. The best value-added is simply that each donor in each situation does the best it can. Fragmentation of Finnish aid comes from the traditional method of looking at commercially and politically motivated aid to find FVA. These motivations should be avoided; and the tendency towards fragmentation should be counteracted by a long and intense presence on the ground. In value based aid, which is set to increase under the new Development Policy Programme of 2012, the values to be promoted should be understood as broad ideals, whose actual implementation is a politically contested issue. No donor should try to impose its own interpretation on aid, but should instead be ready for a possibly long dialogue. In Finnish development cooperation, targeted contributions aiming at

catalytic effects within larger wholes hold a considerable potential, but they cannot be assumed to automatically work. There is a good case to be made for the existence of a certain Finnish ‘national habitus’, but it is not something ready for use in development work. To understand how a ‘habitus’ affects society, and how development works, the search for perceived Finnish strengths has to be complemented with an examination of perceived Finnish weaknesses. The importance of the individual human factor in development work needs to be recognised, and to enable it to work better, changes have to be made in the decision-making and management systems of the Ministry of Foreign Affairs of Finland. Finally, the Southern critique of aid has to be taken seriously. It is time to start discussing exit strategies, recognising the long time frame needed. Meanwhile, in spite of the inherent inequality of the aid relationship, attempts to bring the rhetoric of cooperation closer to the reality must continue. The way forward is increased transparency and honesty - on both sides.

TIIVISTELMÄ

'Suomalainen lisäarvo' ja 'avun tuloksellisuus' ovat suhteellisen uusia käsitteitä suomalaisessa kehityskeskustelussa. Kaikkien käsitteiden tavoin niillä on monta käyttötarkoitusta. Tämän tutkimuksen mukaan ne on ensinnäkin ymmärrettävä poliittisina käsitteinä, joilla on monta merkitystä ja joita siten ollen voidaan käyttää monella tavalla. Samalla kuitenkin niiden poliittinen käytettävyys vaihtelee. Vaikka ne ovat viime vuodet hallinneet suomalaista apudiskurssia, niiden näkyvä asema saattaa nyt olla vähenemässä. Siinä missä tuloksellisuus edelleen esiintyy Suomen uusimmassa kehityspoliittisessa toimenpideohjelmassa toimintaa ohjaavaa periaatteenä, ei 'suomalaista lisäarvoa' enää mainita. Poliittisten käsitteiden luonteeseen kuuluu kuitenkin, että vaikka termit tulevat ja menevät, ilmiöt niiden taustalla ovat pysyvämpiä. Meidän tapauksessamme pääkysymys on, voiko Suomi parantaa kehitysyhteistyötään tuomalla pöydälle jotain muutakin kuin pelkän volyymin – siis rahan – ja mitä se jokin muu voisi olla. Nämä kysymykset on tässä tutkimuksessa ymmärretty suomalaisen lisäarvon käsitteen ytimeksi sen laajemmassa ja analyytisemmässä merkityksessä ja sillä tavalla käsitettä tässä tutkimuksessa käytetään.

Tämä ulkoasiainministeriön itsenäiseltä suomalais-tansanialais-nepalilaiselta tutkimusryhmältä tilaama tutkimus tarkastelee kriittisellä otteella suomalaista lisäarvoa sen kaikissa merkityksissä. 'Kriittinen' ei tässä tarkoita lähtökohtaisesti nyreää asennetta, vaan käsitteen alkuperän ja sen taustalla vallitsevan ajattelun perinpohjaista tarkastelua. Tutkimusryhmä kysyy, mistä lisäarvon, ymmärretäänpä se kapeammin tai laiveammin, ajatellaan kumpuavan. Onko sen taustalla jotain nimenomaan "suomalaista", teknologiaa, osaamista, taitoja, asenteita, arvoja, tai käyttäytymismalleja? Vai onko kyseessä jotain yleisempää, jonka kehitysyhteistyöhön osallistuvat suomalaiset ovat omaksuneet vuosien yhteistyön tuloksena ja jonka he voivat tuoda esille laajemman avunantajajoukon osana? Toisin sanoen, onko suomalaisessa lisäarvossa kyse nimenomaan jostain suomalaisesta, joka on kaikille suomalaisille yhteistä tai joka voidaan palauttaa nimenomaan suomalaisuuteen vai onko se jotain joka koskee nimenomaan toimintaan osallistuvia suomalaisia, mutta jonka he jakavat monien muiden kanssa? Ja aivan riippumatta siitä, onko jotain tiettyä suomalaista lisäarvoa todella olemassa, miten sen peräänantamaton hakeminen vaikuttaa avun tuloksellisuuteen – avun muotoihin tai tuloksiin?

Näitä kysymyksiä käsitellään tarkastelemalla suomalaista lisäarvoa, avun tuloksellisuutta ja näiden keskinäissuhdetta sekä käsitteellisellä että käytännöllisellä tasolla, ja kiinnittämällä huomiota liikkeelle paneviin voimiin niiden taustalla. Tutkimuksen kuluessa todentuneen lähtöoletuksen mukaisesti suomalaisen lisäarvon edistämisen ja avun tuloksellisuuden välillä ei ole ennalta määrättyä suhdetta. Lisäarvon

etsintä saattaa parantaa tuloksellisuutta – tai toimia sitä vastaan. Voi myös olla, ettei näiden kahden välillä ole minkäänlaista yhteyttä. Kaikki riippuu lopulta siitä, kuinka kyseiset käsitteet ymmärretään ja kuinka niitä käytetään. Tästä syystä tutkimus lähtee liikkeelle kartoittamalla, minkälaisissa merkityksissä käsitettä on diskurssissa käytetty. Tarkoituksena ei ole ollut löytää yhtä 'oikeaa' määritelmää, koska sellaisen olemassaoloon ryhmä ei usko: sen sijaan tarkoituksena on ollut löytää sekä eri tavat, joilla käsitettä on käytetty, että merkitykset, joita sille on annettu. Vastan jälkeen on ollut mahdollista arvioida, vahvistaako vai heikentääkö – tai onko sillä vaikutusta ylipäätään – suomalainen lisäarvo avun tuloksellisuutta, ja edelleen arvioida suomalaisen lisäarvon arvoa ja käytettävyyttä kehitysyhteistyöpolitiikkoja ohjaavana periaatteena.

Alusta saakka edellä mainittujen tutkimuskysymysten odotettiin olevan kiemuraisia ja haastavia, ja itse tutkimus osoitti nämä ennako-oletukset oikeiksi. Kenttätutkimuksen aikana, joka toteutettiin enimmäkseen Suomen ulkopuolella, pääasiassa Tansaniassa, Nepalissa, Nicaraguassa ja Etiopiassa, tutkijat törmäsivät lukuisiin erilaisiin 'suomalainen lisäarvon' ja 'avun tuloksellisuuden' määritelmiin. Myös asenteet käsitteitä kohtaan vaihtelivat naivismista ja innostuksesta byrokraattiseen alistavuuteen, kyynisyyteen tai jopa lisäarvoajatuksen suoranaiseen kiistämiseen.

Tutkimus lähtee liikkeelle suomalaisen lisäarvon ja avun tuloksellisuuden käsitteiden analyysistä: ensin tarkastellaan käsitteiden eri merkityksiä ja siitä edetään käsittelemään niiden ilmestymistä osaksi suomalaisen kehitysyhteistyön käytäntöjä sekä niiden taustalla vaikuttavia pidempiaikaisia poliittisia ja mentaalaisia pohjavirtauksia. Tutkimuksen mukaan suomalainen lisäarvo on vaikuttanut Suomen kehitysyhteistyössä huomattavasti kauemmin kuin sen kymmenen vuotta, jonka se on näkynyt terminä politiikkapapereissa, ja näyttää elävän edelleen voimakkaana. Se on peräisin Suomen kehitysyhteistyön muotoutumisvaiheesta eikä mikään uudessa toimenpideohjelmassa viittaa siihen, että se olisi minnekään katoamassa. Siinä mielessä 'suomalainen lisäarvo' ei ole vain poliittisessa diskurssissa eksplisiittisesti käytetty käsite, vaan laajempi käsitys, jota voidaan ja on käytetty analyttisiin tarkoituksiin tässä tutkimuksessa. Sitä tutkitaan sekä poliittisena käsitteenä että tässä laajemmassa merkityksessä: kuinka se on eri aikoina ja eri tarkoituksissa ymmärretty ja määritelty, huolimatta siitä, mitä termiä siitä on milloinkin käytetty.

Käsitteen historiallista ilmenemistä havainnollistetaan ottamalla kaksi suomalaisen kehitysyhteistyön perinteistä sektoria tarkkailuun: metsät ja maaseudun vesi-sektori. Metsäapua tutkitaan vertaamalla Suomen kehitysyhteistyön muotojen ja käytäntöjen pitkän ajan kehityskulkuja ja niiden tiedossa olevia vaikutuksia tuloksia kahdessa tärkeässä kumppanimaassa: Tansaniassa ja Nepalissa. Nämä kaksi ovat valikoituneet tapausmaiksi sen takia, että Suomen metsäapu on niissä seurannut erilaisia kehityskaaria. Tansaniassa leimallista on ollut läsnäolon jatkuvuus

mutta lähestymistapojen katkonaisuus, Nepalissa taas lähestymistavat ovat olleet yhtenäisiä, mutta apu katkesi kymmeneksi vuodeksi. Vesisektorilla taas, tarkoittaen tässä maaseudun kotitalouksien vesipalveluja, lähestymistavat ovat seuranneet tiettyä kaavaa ylhäältä annetusta suomalaisen teknologian soveltamisesta, kuten Mtawa-Lindin hankkeen esimerkissä Kaakkois-Tansaniassa, kohti osallistavampia lähestymistapoja ensin Nepalissa ja sen jälkeen Etiopiassa, jossa paikallisväestölle on annettu huomattava määrä vastuuta varainhoidosta. Molemmilla sektoreilla alun perin teknologiansiirtona käynnistynyt apu on vähitellen kulkenut kohti arvopohjaisempia ratkaisuja. Ja mikä on olennaista suomalaisen lisäarvon näkökulmasta, on että nämä molemmat lähestymistavat ovat perustuneet tietoiseen tai tiedostomattomaan näkemykseen Suomen oman kehityshistorian kokemusten hyödyntämisestä ja soveltamisesta kumppanimaissa.

Seuraavaa esimerkkitapaus nostetaan esille, jotta voitaisiin tarkemmin tutkia arvoja, joiden merkityksen kasvu on tunnistettu Suomen kehityspolitiikan megatrendiksi. Arvoperustaisen avun tapaukseksi on valittu sukupuolten tasa-arvon edistäminen Suomen kehitysyhteistyössä – sekä yleisemmällä tasolla valtavirtaistamisen että yksityiskohtaisemmin 2000-luvun Nicaraguassa kansalaisjärjestöjen tukemisen kautta. Vaikka sukupuolten välinen suhteellinen tasa-arvo ei missään nimessä ole avunantajien keskuudessa suomalaista yksityisomaisuutta, on se monien mielestä arvokasta suomalaisessa yhteiskunnassa ja siten ollen luo hyvän pohjan sen laajemmalle edistämiseksi kehityspolitiikan kautta. Vaikka tutkimuksen mukaan sukupuolten tasa-arvon edistämisen voimavarat ja käytännöt eivät vastaa sen retorista arvoa, ja niin sanottu 'politiikan haihtuminen' on ilmeistä, voidaan sitä pitää potentiaalisena aineksena suomalaiselle 'lisäarvolle' kehitysyhteistyössä, vaikkakaan sitä sen enempää kuin minkään muiden arvojen tai historiallisten kokemusten voidaan odottaa sellaisenaan olevan automaattisesti siirrettävissä yhdestä sosiaalisesta ja historiallisesta kontekstista täysin toiseen.

Siinä missä edellä mainitut tapaukset ovat esimerkkejä suomalaisen lisäarvon kumpuamisesta jostain lähtökohtaisesti suomalaisesta – teknologiasta, osaamisesta, taidoista, asenteista, arvoista, käyttäytymismalleista tai muusta sellaisesta, myös täysin toisenlainen tapa ymmärtää se on otettu tarkastelun kohteeksi: panoksena, jonka suomalaiset kehitysyhteistyön toimijat ovat yksilöllisine ja kollektiivisine osaamisineen, taitoineen ja arvoineen omaksuneet kehitysyhteistyötä toteuttaessaan tietyssä kontekstissa ja jota ei voi suoraan palauttaa suomalaisuuteen: miten suomalaiset ovat luoneet uusia voimavaroja ja ryhmittyneet erilaisissa avunantajien ja kumppanimaiden kokoonpanoissa. Tällaista tapaa hahmottaa suomalainen lisäarvo avataan tarkastelemalla kuinka uusi kehitysavun arkkitehtuurin kumppanimaiden omistajuutta ja avunantajien harmonisointia ja yhteistyötä koskevin periaatteineen toimii Tansaniassa ja Nicaraguassa, ja kysymällä, mikä on ollut Suomen edustajien

asema ja panos niissä. Yhtenä keskeisenä argumenttinaan tutkimusryhmä esittää, että vaikka paljon riippuu nimenomaan kentällä toimivista yksilöistä, toimivat he osana hallinnollista kehystä, jota voisi kehittää huomattavasti tukemaan yhteistyötä maatasolla sekä avunantajien ja kumppanimaan välillä että avunantajien kesken.

Koska suomalainen lisäarvo voi havainnon perusteella tarkoittaa myös täsmällisesti kohdennettuja panostuksia, joilla voi olla katalyyttinen vaikutus laajemmassa kokonaisuudessa, on tutkimukseen poimittu esimerkeiksi kaksi tapaustutkimusta. Ensimmäisessä käsitellään Maailmanpankin sisäistä ympäristöllisesti ja yhteiskunnallisesti kestävästä kehityksen rahastoa (Trust Fund for Environmentally and Socially Sustainable Development, TFESSD), jota Suomi on tukenut Norjan rinnalla. Tämä toimii esimerkkinä vaikuttamisesta suureen kansainväliseen instituutioon suhteellisen pienellä panoksella. Tapauksessa nähdään, kuinka Suomi on yrittänyt ja enimmäkseen onnistunut ajamaan omia arvojaan Maailmanpankin toimintaan. Toinen esimerkki koskee alueellisia energia- ja ympäristökumppanuuksia (Energy and Environment Partnerships, EEP), joiden avulla Suomi on pyrkinyt luomaan toistettavia julkisen ja yksityisen sektorin kumppanuuksia uusiutuvan energian käyttöön valituilla alueilla. EEP:n ajatuksena on tarjota suomalaisella avulla alkupääomaa yksityisten yritysten ja kansalaisjärjestöjen houkuttelemiseksi innovatiivisten hankkeiden toteuttamiseen ja siten toimia vipuvartena alkuperäistä kontribuutiota paljon suuremman vaikutuksen tuottamiseksi. Vaikka mallin toteutus on kärsinyt lukuisista vaikeuksista alkuperäisellä alueellaan Keski-Amerikassa, sillä ajatellaan olevan käyttöarvoa vielä muilla alueilla.

Yllä esitettyjä kysymyksiä ja kysymyksenasettelua on lähestytty pääasiassa suomalaisesta näkökulmasta, vaikka niissä onkin huomioitu kumppanimaiden näkemykset laajasti. Jos kuitenkin todella halutaan etsiä Suomelle optimaalisia osallistumistapoja kansainvälisiin kehityspyrkimyksiin, on diskurssin Suomi- ja apukeskeinen näkökulma ylitettävä ja annettava enemmän arvoa Etelässä esitetyille näkemyksille. Tätä tarkoitusta varten tutkimuksessa on omistettu luku kumppanimaista nouseville näkemyksille Suomen avusta ja suomalaisista kehitysyhteistyön kumppaneina. Luvussa on esitelty lyhyesti yhä yleisemmäksi käyvää, mutta harvoin pinnalle nousevaa Etelän apukritiikkiä. Tämä kritiikki, yhdistettynä julkisen kehitysyhteistyön suhteellisen merkityksen vähenemiseen vaihtoehtoisten rahoituskanavien rinnalla, on lisännyt vaatimuksia kehitysavun vähittäiseen lakkauttamiseen ja 'exit-strategioiden' luomiseen. Näitä kehityskulkuja ajatellen haluamme kysyä, mikä voisi olla suomalaisen yhteistyön rooli uudessa asetelmassa.

Sekä "suomalaista lisäarvoa" ohjaava ajattelu että sitä käytännössä toteuttavat avun muodot ovat muuttuneet merkittävästi puoli vuosisataa jatkuneen Suomen kehitysavun aikana. Suomalainen lisäarvo alkoi avulla rahoitettuna kilpailukykyisen teknologian ja modernisaatiokokemuksen vientinä ja muuttui globaalikapitalismin

liberaalien arvojen vienniksi, kun Suomen kehitys yhteistyövaroja leikattiin rankalla kädellä laman kourissa ja kun Suomi liittyi Euroopan unionin jäseneksi ja vihdoinkin ankkuroitui osaksi länttä. Megatrendinä on ollut siirtyminen teknologiaorientoituneesta avusta arvoperustaiseen. Kun kysyntä avunantajien työnjaon koordinoimiseksi kasvoi ja kulminoitui Pariisiin julistukseen ja sitä seuraaviin julkilausumiin, Suomen tarve profiloitua ja määrittää oma paikkansa uudessa kansainvälisessä apujärjestelmällä muuttui akuutimmaksi. Suomalainen lisäarvo muotoiltiin ensimmäistä kertaa eksplisiittiseksi osaksi Suomen kehityspoliittikkaa vuoden 2004 kehityspoliittisessa ohjelmassa, jossa sitä haettiin Suomen omista kehityskokemuksista, joiden koettiin heijastelevan vallitsevia globaaleja liberaaleja arvoja. Vuoden 2007 kehityspoliitikassa koettiin paluu teknologia- ja kaupallisuuskeskeiseen näkemykseen, ja sitä seuranneessa vuoden 2012 Suomen kehityspoliittisessa toimenpideohjelmassa heiluri heilahti voimakkaasti takaisin arvoperustaisuuteen, nyt ilman 'lisäarvon' käsitteen tukea.

Johtopäätöksenä tutkimuksen lopussa esitetään joukko teesejä ja suosituksia. Päätelmien mukaan epämääräiset ja kiistanalaiset poliittikkakäsitteet kuten 'suomalainen lisäarvo' ovat huonoja politiikan ohjenuoria, jotka aiheuttavat tarpeetonta hämmennystä – mutta kysymys itsessään on olennainen ja tulee säilymään. Kumppanien näkökulmasta kehitysapuvarat ovat itsessään tärkeitä, ja arvonalisä, jonka avunantaja niiden ohella tuo ei ole yksin avunantajan päätettävissä: siitä täytyy neuvotella paikan päällä kumppanien ja muiden avunantajien kanssa. Parasta arvonalisää on yksinkertaisesti se että kukin avunantaja toimii kussakin tilanteessa niin hyvin kuin mahdollista. Suomen avunpirstaleisuus nousee perinteisestä tavasta etsiä lisäarvoa kaupallisesti ja poliittisesti motivoituneesta avusta. Näitä pitäisi välttää ja taipumusta pirstaleisuuteen ehkäistä pitkällä ja intensiivisellä läsnäololla paikan päällä. Arvopohjaisessa avussa, joka tulee lisääntymään uuden 2012 kehityspoliittisen toimenpideohjelman myötä, edistettävät arvot tulisi ymmärtää laajoina ideaaleina, joiden todellinen toimeenpano on poliittisesti kiistanalaista. Yksikään avunantaja ei voi yrittää pakottaa omia tulkintojaan, vaan on oltava valmis mahdollisesti pitkäänkin vuoropuheluun. Suomalaisessa kehitys yhteistyössä panostusten kohdentamisessa katalyyttisiin vaikutuksiin laajemmissa kokonaisuuksissa on huomattavaa potentiaalia, mutta niidenkään ei voida olettaa toimivan automaattisesti. Voidaan hyvin puhua tietystä suomalaisesta 'kansallisesta habituksesta', mutta se ei ole suoraan valjastettavissa kehitystyöhön. Jotta voidaan ymmärtää kuinka se vaikuttaa ja kuinka kehitys toimii, suomalaisten vahvuuksien etsintää on täydennettävä tunnistamalla havaittuja suomalaisia heikkouksia. Yksilöllisen inhimillisten tekijöiden tärkeys kehitystyössä on tunnistettava ja mahdollistettava niiden parempi toimivuus, ja tätä varten ulkoasiainministeriön päätöksenteko- ja hallinnointijärjestelmissä on tehtävä muutoksia. Viimeiseksi, Etelän apukritiikki on otettava

vakavasti. On aika käynnistää keskustelu avun exit-strategioista, tarvittava pitkä aikaväli tunnistaen. Sillä välin, apusuhteen olennaisesta epätasa-arvosta huolimatta on jatkettava yrityksiä tuoda yhteistyön retoriikka lähemmäksi todellisuutta. Tähän vaaditaan kasvavaa läpinäkyvyyttä ja rehellisyyttä – molemmilla puolilla.

1. INTRODUCTION: IN SEARCH OF 'FINNISH VALUE-ADDED'

'Finnish value-added' (*suomalainen lisäarvo*) and aid effectiveness are relatively new concepts in the development discourse in Finland. As all concepts, they have many uses. We argue in this study that first of all they have to be understood as political concepts which in themselves many meanings and can be used in many different ways. As such, their political usefulness varies. Even if they have been prominent in the Finnish aid discourse during the last few years, that prominence may now be beginning to fade. The concept of 'Finnish value-added' (hereinafter abbreviated as FVA) no longer appears in the new, 2012 Development Policy Programme¹. But it is also in the nature of political concepts that even if they come and go, the underlying concerns are much more persistent. In this case, the question that is bound to stay is whether a small donor such as Finland can make a difference in its development cooperation by bringing in something extra beyond the sheer volume of aid – money – and what that extra might be? It is this question that we take to represent the crux of the notion of FVA in a broader, more analytical sense, and this is how we ourselves use the concept. In the 2012 Development Policy Programme, the same issue is approached with an emphasis on assumed Finnish 'strengths', including "consistency and perseverance, good ability to cooperate and an approach based on the aims and needs of the partner countries" as well as "paying attention to people in weaker position" (*ibid*).

Our study, commissioned by the Ministry for Foreign Affairs (MFA) of Finland from an independent academic Finnish-Tanzanian-Nepali research team, takes a critical look at FVA in all of its senses. 'Critical' here does not mean a preconceived negative value judgment but an attempt to thoroughly look at the origins and understand the foundations of the thinking. We ask where such value-added is seen as coming from. Is it something peculiarly 'Finnish' – technology, expertise, skills, attitudes, values, patterns of behaviour? Or something more general that the Finns concerned have learned and acquired during the years of cooperation and can now bring to bear on their activities concerning developing countries, as a part of wider donor constellation? In other words, is FVA in the broader sense thought to be something intrinsically Finnish that at least most if not all the Finns somehow to some extent share, or could it be something more generic that the Finns concerned happen to have but share with many others? And regardless of whether there actually is such a thing as FVA and whatever it may be, how does the quest for it affect

¹ *Suomen kehityspoliittinen toimenpideohjelma*. Quotations from this document, referred to as Development Policy Programme 2012, are our unofficial translations.

modalities and aid effectiveness, that is, the outcomes of Finnish aid?

We discuss these issues by undertaking an examination of the notions of 'Finnish value-added' (FVA) and 'aid effectiveness' and their interrelationships both at the conceptual level and in practice, and by looking for their underlying driving forces. Our starting assumption, which was confirmed by the study and thus became one of our conclusions, was that there is no necessarily predetermined relationship between aid effectiveness and efforts to promote FVA in development cooperation. These efforts may enhance aid effectiveness, but they can also undermine it; and it is also possible that they do not matter at all. It all depends on how these concepts are understood and used. That is why we felt we first have to look at the contexts in which these concepts have been used in discourse. We are not trying to define their 'correct' meanings because we believe there are none: rather, we are interested in finding the various meanings they have been given in various contexts. Only on that basis do we think we can determine whether FVA enhances or undermines aid effectiveness, or has any effect at all, and consequently assess the value of FVA as a guiding principle for development cooperation policies.

We expected from the start that these would be tricky and challenging research questions, and our expectation was amply borne out by the actual research. The research was not predominantly carried out in Finland, but in a number of selected partner countries, mainly Tanzania, Nepal, Nicaragua and Ethiopia. In the field we were received with great curiosity and some incomprehension. (One prospective interviewee tried to turn us away by explaining that he did not deal with tax matters!) We have found that there are many and varied definitions of both 'Finnish value-added' and 'aid effectiveness' around, and the attitudes towards these concepts range from naivety and enthusiasm to bureaucratic acquiescence and polite attention, and even further to cynicism and outright rejection. We have had a lively debate among our own research group and finally had to agree to disagree on certain issues. This report, however, represents the common consensus on our work and the common voice of the group: we all stand behind its statements and conclusions. The following main points have emerged from our research and will guide the structure of the report:

- Both 'Finnish value-added' (FVA) and 'aid effectiveness' are to be regarded both as political concepts and as broader notions, as defined below in our study. Whether they will live on as particular concepts in the discourse depends on their political usability, something which for us as researchers is difficult to predict. If 'Finnish value-added' does not figure as an explicit concept in the 2012 programme, who knows what will happen in 2015? Regardless of whether these concepts will be there in future or not, the question underlying them and basically all Finnish development cooperation has not disappeared and is

bound to remain: how can Finland, with the limited resources it has available as a donor, best participate in and produce results from activities within the global development complex?

- To tackle the last question we need to put the aid relationships of Finland and those of its partners, and other Finnish development efforts in the global context, and we need to incorporate views from the South. The historical evidence that we have used in this study suggests that too heavy a pursuit of 'Finnishness' may be detrimental to aid effectiveness, and in any case the Finns cannot unilaterally decide what their possible 'value-added' might be. The definition of FVA is something that has to be negotiated in each particular case with the partners and others 'stakeholders' involved.

We start in Chapter 2 by mapping the changing meanings of FVA and proceeding to examine how they have been introduced and deployed in Finnish development cooperation. We then go on in Chapter 3 to seek the more long-term political and intellectual undercurrents which underlie these meanings. We argue that although the conceptual history of the terms FVA and 'aid effectiveness' may cover only some 10 years, the thinking on which they are based is much older and lives on. It comes from the early years of the formation of Finnish development cooperation, and there is nothing in the new policy line to bring it to an end. It is in this sense of continuing political and intellectual undercurrents that FVA is investigated here not only as a political concept explicitly used in policy discourse but also as a broader notion which can be used for analytical purposes in our analysis. For this, we also analyse in Chapter 3 how FVA has been understood and sought in different times and cases, regardless of whether it has been referred to as FVA or not.

After this we look at some historical examples. In Chapter 4 we have surveying two sectors that have traditionally been prominent in Finnish aid: forestry and rural water. Forestry is examined by comparing the long-term evolution of the modalities and practices of Finnish development cooperation activities along with what is known of their effects and impacts in two major partner countries, Tanzania and Nepal. The rationale for choosing them for comparison is that the trajectories of Finnish forestry aid have been very different in the countries. Tanzania is characterised by a continuity in presence and abrupt changes in approaches, while Nepal shows more coherence in the approaches but a glaring ten-year gap in the actual presence of aid activities. In the rural water sector, here meaning the provision of household water, we will trace the sequence of approaches from those dominated by the top-down application of Finnish technology, exemplified by the case of the Mtwara-Lindi project in South-Eastern Tanzania, to more community-based approaches used first in Nepal and more recently in Ethiopia, where even a consid-

erable degree of financial responsibility has been given to the locals. In all cases we can see how the originally technologically dominated approaches have been replaced by more value-based ones. Importantly, both approaches have been informed by an awareness and a predilection to consciously or unconsciously apply Finland's own development experience.

We have identified one of the megatrends in Finnish development policy as the increasing importance of 'values' in policy. To illustrate this, Chapter 5 looks at the promotion of gender equality in Finnish development cooperation – both in general through gender mainstreaming, and in contemporary Nicaragua through NGO support. Gender equality is hardly something the Finns can claim a monopoly on, but relative gender equality is keenly felt by many and certainly accepted by the great majority of Finns as something that is valuable in Finnish society. This acceptance of gender equality as a Finnish value provides the basis for its wider promotion through Finnish development policies. Although our analysis will show that the resources and practices deployed in the actual promotion of gender equality do not match the rhetoric, and that 'policy evaporation' takes place, we also argue that gender equality remains a potential element for defining Finnish value addition in development cooperation – provided that it is not taken as being automatically transferrable from one social and historical context to another, entirely different one.

While in the above cases the Finnish value added (FVA) has been understood as stemming from something more or less peculiarly Finnish, be it understood as technology, expertise, skills, attitudes, values, patterns of behaviour, etc., we also investigate a fundamentally different way of understanding it: FVA as a contribution by the Finns that stems less from any essential 'Finnishness', in whatever way that is defined, than from the way individual Finns, with their collective and individual expertise and skills and values, work in a certain context, that is, how they make resources available and enter into differing constellations with the partners and other donors. We will discuss this type of added value in Chapter 6 by way of looking at how the new aid 'architecture' with its demands for recipient ownership, donor harmonisation and alignment, and donor division of labour actually works in our three main case countries, Tanzania, Nepal and Nicaragua. In particular, we will investigate what has been the place and contribution of representatives of Finland in these activities. Here a key argument is that although much depends on the actual people on the spot, these people work within an administrative framework that could be made much more conducive to country-level collaboration between donors and partners as well as among donors.

As FVA conceivably could also be conceived of as a specifically targeted contribution which would provide a powerful boost within a larger whole, in Chap-

ter 7 we examine two cases which aim at that sort of catalytic effect. One is the Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) that Finland has been, together with Norway, funding at the World Bank. This is an example of influencing a big multilateral institution: it illustrates how Finland has attempted, and largely succeeded, in infusing its values into the work of the World Bank. The other case presented here is that of the Energy and Environment Partnerships (EEPs), which are meant to create replicable public-private partnerships (PPPs) for the use of renewable energy in selected developing regions. The idea behind the PPs is the provision through Finnish aid of some seed money that would make it attractive for private companies and NGOs to combine to carry out innovative projects which would have a much greater effect than the original contribution could have had on its own. Although the implementation of this concept has suffered from a number of weaknesses in Central America, where it was first tried, it is thought that it could have some prospects for use in other regions.

All the above issues are approached from a Finnish point of view, although the perceptions of the partners are naturally integrated into the analysis where appropriate. But if we really wish to consider how Finland can best participate in and produce results in global development efforts, we need to transcend an aid-centred and Finnish viewpoint, and bring the views from the South to the fore. To achieve this, an investigation is carried out in Chapter 8 on how Finnish aid has been received in the partner countries, and how the Finns have been perceived as partners. We also briefly present some of the Southern critique of aid which is becoming more common but is seldom publicly aired. This critique by the South, combined with the fact that the significance of Official Development Assistance (ODA) as a whole is diminishing in donor countries as many alternative resources become available, has raised demands for a planned phasing out of aid altogether, and the drafting of exit strategies. With all these developments in mind, we then ask what might be the role of Finnish cooperation in the emerging configuration. This report draws on documentary and field research carried out by individual researchers. The longer reports from which this report is compiled are made available on a CD as unedited background papers. The sections on the historical evolution of FVA, gender, the Environmental and Economic Trust Fund, and Central America and Nicaragua are based on research by Maria Suoheimo, ably assisted in Nicaragua by René Mendoza. The sections on Tanzania rely on the work of Severine Rugumamu and Juhani Koponen; Rugumamu is also responsible for most of the Southern critique and much of the material on aid architecture. The sections on Nepal were produced by Sudhindra Sharma in collaboration with Juhani Koponen; and field research on Ethiopia was undertaken by Juhani Koponen. As the Team Leader, the latter is also responsible for the more general chapters and the overall

editing but the entire team participated in providing comments and corrections. Jussi Kanner has provided crucial backstopping both in empirical research and in solving many technical problems; he also prepared the figures. The team wishes to thank the staff of MFA's development policy and planning unit for critical and very constructive comments on the first draft of the report.

2. THE CONCEPTUAL BASIS

There are two research tasks in this study: first, to study the use of the terms ‘Finnish value-added’ (FVA) and ‘aid effectiveness’ as political concepts, and then to use them as our own analytical concepts. When they are used by political and other actors in development cooperation discourses in the North and in the South, we see them as political concepts and will map the various meanings they have been given in these discourses. This is the smaller task. But then we will employ the very same terms as our analytical concepts, which we will use to investigate the historically changing methods of Finnish development cooperation, and the Finnish approaches to what is now understood as ‘aid effectiveness’.. That is, the notions of Finnish value-added’ and ‘aid effectiveness’ are taken both as the objects of the study and employed as its conceptual tools.

We speak of political concepts in the sense originally defined by the doyen of German conceptual historians, Reinhard Koselleck. Simplifying his ideas for our study, we wish to make the following arguments:

Political concepts are culturally and historically constructed notions that bring together, or ‘articulate’ knowledge and power. They have gained agency in the political processes and can be seen to carry some causal power and have effects and ability to guide discourses.

- Political concepts are ambiguous by their nature – one ‘correct’ definition cannot be given.
- Without this ambiguity they could not function as discourse-guiding concepts: while all can agree on the significance of the notions themselves, they allow for different actions to occur under their umbrella.
- In order to make sense of their effects, we have to analyse their different surface meanings and the ways they are used in practice (cf. Wittgenstein: “the meaning of a concept is its use”).

There are two reasons to carefully analyse such concepts and their actual use. First, by means of such an analysis we can see how the aid discourse functions in creating an impression and illusion of novelty by substituting new concepts for old. Secondly, and more importantly, such an analysis also helps us to identify some of the more long-term and basic assumptions and driving forces of Finnish development cooperation.

As such, political concepts may not be very useful for analytical purposes and their use for analyses may confuse rather than clarify the understanding of the issues at stake. Nonetheless, we wish to employ them here as lenses through which

we can go beyond conceptual analysis to examine strategy choices and actual implementation practices informed by the thinking which underlies the explicit notion of 'Finnish value-added'. Through this lens, we identified various uses of the term FVA, which from today's perspective might be seen as defining Finnish value added (use of resources, values, historical experiences, common co-operation experiences, best practices and definitions of Finland's position in the international aid architecture). Armed with such a working definition, we then inspected actual empirical cases to see if these specific examples of FVA have been present in Finnish development cooperation, regardless of whether the actors have actually called them 'Finnish value-added' or not. This was the analytical use we made of the concepts.

2.1 Varieties of 'Finnish value-added'

'Value-added', or 'added value' as it also has been put, is a political concept borrowed from economics and, ultimately, metaphysics. It is from the accumulation of these elements in one notion that both the fascination and the confusion in its use come. Adding the specification of "Finnish" makes it even more complicated. In principle, 'Finnish value-added' in the context of development cooperation may be thought to mean at least two different things: a) that the Finnish contribution in general is somehow valuable in the context of development cooperation (increases the value of cooperation and its results), or b) that there is a peculiarly 'Finnish' element waiting to be introduced that adds more 'value' to an activity. The first usage corresponds to the recent usage of the term in economics, where value is seen as a general measurable quantity, which is added at different stages to the final product (value-chain analysis). In the second usage, 'value-added' is more qualitative and refers to a specific contribution which is not necessarily measurable in quantitative terms.

On the basis of our work, we would like to suggest that in practice FVA has been mainly used in the latter sense in the Finnish development cooperation discourse. FVA has had two major functions in this discourse. Above all, it has been used to justify and legitimise the participation of Finland and the use of Finnish resources in global development efforts. After more than 50 years of cooperation, international developmentalism is a relatively weak force in Finnish policy discourse; and the pro-aid lobby has sought additional justification from the idea that Finland can bring something particularly valuable into its aid relationships. Another, closely related use of FVA in the discourse is to define it in the context of the emerging donor division of labour and the discussion of aid effectiveness as the well-managed delivery of aid: if Finland concentrates on something in which it has a perceived

‘strength’ or ‘comparative advantage’, then the Finnish – and by implication other – resources will be more efficiently used. This might not presuppose an essential ‘Finnish’ contribution, although the focus clearly has been on what the Finnish culture and society has to offer. From the perspective of partner countries, however, the first, more general usage is perhaps more relevant and has to be kept in mind in our own subsequent analysis.

Another, and rather different, attempt to define FVA was made by Julian Caldecott and his team in *“The Sustainability Dimension in Addressing Poverty Reduction: Synthesis of Evaluations”* (Caldecott et al. 2010). For them, Finnish added value (FAV, as they put it) refers to ‘Finland’s unique contribution to an activity of knowledge, skills, approaches, priorities and processes that are specifically Finnish in nature’ (*ibid.*, pp. 21, 42). The analysis made by Caldecott et al. is thus focused on explaining what peculiarly ‘Finnish’ inputs Finland brings to development cooperation that provides value added. That is, instead of asking to what extent Finland’s activity might have added value to what would have resulted from other actors’ activities if Finland had not been involved (using the method of identification of donor value-addition presented in the *Paris Declaration* or the *EU Code of Conduct for the Division of Labour among Donors*), they focus on ‘Finnish distinctiveness’ and try to identify ‘consistent aptitudes and biases, which might be exploited or corrected in the interests of increasing aid effectiveness’ (*ibid.*, p. 85). However, they acknowledge that ‘although interesting, the parameters of ‘Finnishness’ will always be hard to define and seldom vital to an activity’ (*ibid.*, p. 43). According to their evidence, FAV could be characterised in several different ways:

As a set of values that are more often expressed by Finns than by others (e.g. support for human rights, equality and democracy, and egalitarian forms of social organisation);

1. As a set of *technical competencies* (e.g. in the water sector, sustainable land use, meteorology, education, health care, information technology, governance, research, and renewable energy);
2. As a set of *ways of relating to others* or a distinctive way of doing business (e.g. by offering untied core funding, by promoting inclusive consultations, mutual learning, civil society capacity building and networking, and by maintaining constructive relations with local partners, the donor community and governments);
3. As a set of *priorities* that consistently guide Finnish concerns (e.g. in relation to human rights, social and gender equality, sexual and reproductive health, and support for vulnerable groups); and
4. As a set of *performance attributes* (e.g. honesty, inoffensiveness, neutrality, flexibility, focus, effectiveness and efficiency).

In their view, Finland also sometimes adds value by going to places or doing things that other donors will not or cannot do, or in leveraging new and additional resources. Also ‘the distinctive courage with which the MFA commissions and publishes independent reviews of its activities’ was mentioned as added value (*ibid.*, pp. 24-25, 85-86).

Interestingly, these characterisations are predominantly positive and go strikingly well together with the prevailing mood in international developmentalist thinking. In addition, the evaluators also took them to be consistent enough to suggest that they are generally valid, and not just representations of ideals. They recognise that this clustering of observations from the databases they collected is hardly exclusive, particularly in distinguishing values, competencies and priorities which are clearly connected, and not all the characterisations are entirely consistent with evidence from actual expenditures and activities (for example, no mention seems to be made of programmes that specifically benefit indigenous peoples by protecting their land rights and preserving their traditional knowledge). Nonetheless, Caldecott et al. (*ibid.*, p. 86) maintain that, taken together, they indicate where Finland ‘lives’ among development cooperation actors.

This approach to defining FVA was applied and taken further by the teams led by Caldecott in a set of evaluation reports of country programmes between Finland and three major cooperation countries, which are the same as in our study: Nepal, Nicaragua and Tanzania. Commissioned by the development evaluation unit of the Finnish MFA from a consultancy company as one evaluation task, it was undertaken by different country teams but with Caldecott as the common team leader. The evaluation defined Finnish added value (or FAV as they put it) as “the contribution of knowledge, skills, approaches, priorities and processes that are specifically Finnish in nature” and attempted, as was required in the Terms of Reference, to discover whether specific areas, sectors, themes or functions could be found “in which Finland’s value added becomes best utilised.” The country teams, in particular in Tanzania and Nepal, recognised that the task was more complicated than it appeared, because the concept could be interpreted in different ways. What could be regarded as “specifically Finnish in nature” was not at all self-evident, and they ended up evaluating the role of FVA/FAV in rather different terms (Caldecott *et al.* 2012, pp. 88-89). We will return to their assessments below, in particular in Chapter 8.1.

Our analysis differs profoundly from that of the teams led by Caldecott. We have not attempted to restrict FVA to any specific or unique Finnishness, nor have we sought a ‘correct’ definition for it. Rather, we have tried to trace how the notion has been used in actual practice, and to cover all aspects of its use. In other words, we do not take Finnishness as granted because it is done by Finns; the nature and

degree of ‘Finnishness’ is for us an empirical issue to be investigated. Furthermore, we do not claim that the aspects mentioned above necessarily reflect the factual situation on the ground, since FVA can also be seen differently as a political concept guiding discourses and practices.

In our background research we identified seven referents for Finnish value-added from the context in which the term FVA was used. FVA has been understood to mean:

1. Deployment of Finnish resources – personnel and equipment – in the delivery of Finnish aid
2. Promotion of Finnish/Nordic/European values, and patterns of behaviour based on them
3. Application of supposed lessons from Finland’s development history
4. An ‘acquired trait’ – gained from long-term close cooperation
5. Dissemination of selected ‘best practices’ from certain Finnish-supported interventions
6. Participation in and adaptation to donor division of labour
7. Attempts to produce a leverage effect through a targeted contribution

This list reflects the *political* use of the concept and proved too crude to serve as the basis of the structure of the study. It is a largely chronological – and changing – schema. The definitions are not mutually exclusive but highly overlapping. The first four refer to qualities or characteristics that the Finns are assumed to have and make use of; the last three refer to ways in which the first four are to be deployed. In real life, values and behavioural patterns move and change along with technology and people. Interpretations of the people’s or the country’s own historical experience may inform both. What will be learned and promoted also depends on a propensity for and aptness to learning and dissemination. Furthermore, the idea of Finnish distinctiveness is present in these referents to a varying degree. The first three reflect the search for a peculiarly ‘Finnish’ element, while the fourth drops such a demand from the definition.

For our own purposes we grouped these different usages under three headings, and introduced “Finnishness” as a crosscutting theme to be examined in all of them. Thus we will examine the different ways of delivering Finnish aid, and the degree of “Finnishness” in:

1. Deployment of Finnish technical expertise and technologies, and decisions of ‘Finnish priorities’ that have been historically based on Finnish competencies.
2. Promotion of ‘Finnish (or Nordic/European) values’ and behavioural patterns. This is partly linked with Caldecott’s notions of ‘performance attributes’ and ‘Finnish ways of relating to others’, based on this same set of value.

3. Traits that Finland, or rather Finns, acquired during involvement with partner countries: ways of working and lessons learned during cooperation, including the best practices and the role of Finland in delivering aid within the given aid context.

2.2 Discourses on aid effectiveness, value-added and ownership

Like 'Finnish value-added', 'aid effectiveness' is also a new term for an old concept. The term 'aid effectiveness' has figured in the discourse since the 1990s gaining prominence after the Paris Declaration in 2005. Based on its usage it would appear to be a much more technical concept than Finnish value-added. Yet we would like to argue that it, too, functions as a political concept, in the sense defined above. It can be understood in different ways, in a narrower or broader sense: it can focus on the actual results and outcomes of development efforts and refer to the simple relationship between inputs and outputs; or it can deal with practices in aid delivery and be taken as referring to a package of 'good and effective aid'. It has different meanings even within the donor discourse, and researchers use it differently from the donors and even among themselves: economists differ from political scientists and Southerners from Northerners. Common to all is that what is now referred to as 'aid effectiveness' has to do with what was previously called the 'quality' of aid, as distinct from its quantity.

Probably the narrowest definition of aid effectiveness is given in the evaluation guidelines of DAC (Development Assistance Committee of the OECD) where it is seen as one of the five criteria for evaluation of the overall performance of official development assistance (ODA) (OECD 2010a): effectiveness is defined as 'the extent to which an aid activity attains its objectives'. The other criteria are: relevance, efficiency (to be measured both in as administrative and as financial efficiency), sustainability, and impact. A similar but somewhat broader definition is employed by independent researchers who make a distinction between 'effects' and 'impacts', the first representing the attainment of short-term intended results, and the latter referring to resulting wider consequences, also including unplanned and unintended outcomes. According to the DAC definition, effective aid can be seen as attainment of stated goals i.e. planned results and intended impacts. But there are donors who prefer a much wider concept of 'effectiveness'. The World Bank, for instance, sees aid effectiveness in a more holistic manner as 'the impact that aid has in reducing poverty and inequality, increasing growth, building capacity, and accelerating achievement of the Millennium Development Goals' (<http://data.worldbank.org/topic/aid-effectiveness>). In this definition, 'effectiveness' arguably also encompasses

the other DAC criteria of relevance, efficiency, sustainability, and impact.

Research into aid effectiveness has long been dominated by econometric cross-country regression analyses which have tried to establish a link between aid and economic growth, poverty reduction, or some other, planned, development outcome. The results of such analyses have been ‘unclear and ambiguous’, as two World Bank researchers, Bourguignon and Sundberg (2007), note. Sometimes a correlation has been found and sometimes not: the correlation varies from negative to positive, and where it has been possible to establish it, it has usually been weak. An exception to this line of argument, giving sustenance to aid pessimism, was brought into the discourse in the World Bank publication “*Assessing Aid*” by David Dollar in 1998 and then in his and his collaborators’ subsequent publications. In these publications, a significant statistical relationship between aid and growth was detected when a policy variable was brought in. Aid was found to work effectively in and only in countries that pursued ‘good policies’ (stabilised macro economy, trade openness, etc.), and otherwise not. These results were soon challenged on technical grounds; the significance of the policy variables disappeared when some assumptions in the models were changed, or the data sets varied. Nonetheless the results of these analyses became, and remain, common donor wisdom (with good policies now turned to ‘good governance’) as they lead to a clear and simple policy recommendation: if you wish your aid to be effective, allocate it to ‘good policy’ or ‘good governance’ countries.

While the above definitions, no matter whether narrower or broader, are results-oriented, the version of ‘aid effectiveness’ presently dominating the donor discourse is arguably more process-oriented, focusing as it does more on the delivery and management of aid than on its outcomes. ‘Aid effectiveness is about delivering aid in a way that maximises its impact on development and achieves value for money’, states one of the background papers to the Busan Conference held in October-November 2011 (Killen). A slightly different formulation of the same idea is given by the DAC Working Party on Aid Effectiveness, which boasts that it is the ‘most inclusive and credible [international] forum on aid effectiveness’ comprising as it does bilateral and multilateral donors, aid recipients, civil society organisations (CSOs), and private sector actors. According to DAC, ‘Aid Effectiveness is about value for money – it is about managing aid in a way that maximizes its impact on development’. Such ideas obviously have their origin in the Paris Declaration of 2005, in which one of the stated principles is managing for development results. In actual implementation of the Paris Declaration, however, other principles such as recipient country ownership, alignment, harmonisation, and mutual accountability have been given much more weight. As one senior official at the Ministry of Finance and Economic Affairs in Tanzania observed, “the donor community is simply

concentrating on how it does things rather than on what it achieves”.²

According to the Paris Declaration, donors are to work together to harmonise their separate procedures and to make full use of their ‘respective comparative advantage’ at sector or country level. What such a comparative advantage might be obviously varies from case to case, but true to its ownership agenda the Declaration suggests that partner countries must provide clear views on donors’ comparative advantage and on how to achieve donor complementarity at country or sector level. These ideas have been further developed within the EU, especially in the *EU Code of Conduct on Complementarity and the Division of Labour in Development Policy* (European Commission 2007). Complementarity is seen to be more than coordination: each donor should focus on ‘areas where it can best add value, given what the others are doing’. ‘Comparative advantage’ is then seen as ‘added value by the donor or the sector/activity in which it achieves the best relative performance (not necessarily ... an absolute advantage) or ... the sector/activity where its costs are the lowest compared to other donors.’ Such comparative advantages can be used to ‘(i) enhance division of labour, (ii) deepen concentration of activities, and (iii) develop delegated cooperation, in sectors or sub-sectors or niche themes within sectors (e.g. inclusive education within the education sector). By focussing on areas ‘where a clear added value can be shown, [EU’s] aid programmes will provide the greatest long term impact’, argues the Green Paper that the Commission tabled for consultation in 2010 (European Commission 2010a).

We would like to suggest that what the two strands in the donor discourse (i.e. the ‘good policy agenda’ where aid effectiveness is seen to evolve from selective allocation of aid, and the ‘Paris Declaration agenda’ where aid effectiveness is understood as well-managed delivery of aid) have in common is that they share ‘ownership’ as a crucial but poorly defined focus. ‘Country ownership’ of the policies pursued is offered as the precondition of aid effectiveness in both: in the first, aid works effectively only in countries that ‘own’ good policies, while in the latter such ownership is the condition of managed delivery of aid and the reduction of its transaction costs. In practice, however, there seem to be two basic uses of the notion of ownership, as suggested by Whitfield and Frazer (2009): 1) ownership as acceptance by a recipient government of policies formulated outside and taken to be good for the countries concerned; and 2) ownership as policies formed and agreed upon within the country itself in (more or less) inclusive political process. Which of these is used can be assumed to have different implications for the aid relationship and for effectiveness: if the ‘ownership’ is thin or fake, and adopted only to please the donors, it may not lead to the expected results.

² Interviews in Tanzania with Officers in the Section for Aid Coordination, Ministry of Finance and Economic Affairs, July 25, 2011.

3. THE EMERGENCE AND EVOLUTION OF FINNISH VALUE-ADDED

The evolution of Finnish value added (FVA) as a policy concept is inherently linked to different, partly contrasting and partly overlapping, interests driving the formation of Finland's development cooperation. To analyse these 'interests', this study employs the concepts of 'developmentalism' and 'instrumentalism'. The terms and the concepts they refer to are taken from Juhani Koponen's research on the history of Finland's development cooperation (e.g. 2001, 2005a), where they are used as tools to analyse what Koponen sees as constant negotiation and an ongoing struggle between different policy discourses and practices. Developmentalism, in this parlance, rests on the conviction that the development and welfare of poorer countries in the long run is in the interest of the more well-to-do countries, and the latter have the means to help the former to develop by providing external inputs through development aid. 'Development' is then understood at the same time as: an ultimate goal; an economic, social and political process leading towards that goal; and an active intervention to produce and trigger off such a process. A basic tenet of developmentalism is that a well-meaning, rationalistically planned, aid or policy intervention can produce a process that will lead toward the goal of development, in whatever way this goal is defined; from this tenet follows an imperative to 'act for the common good'. However, in practice development cooperation has been influenced by other, more 'instrumentalist' factors and forces which aim at the use of development aid and other resources as instruments to promote a donor's immediate political or economic aims and interests.

During the last 60 years or so, developmentalism has grown into a veritable complex of conceiving, planning and implementing developmentally justified interventions. It has established structures, institutions and processes of its own and has created ways of communication and an entire 'language' with jargon that is peculiar to it. It informs, to a greater or lesser extent and in myriad ways, all that happens in development cooperation. Yet it has been and is constantly influenced by and interacting with more 'instrumentalist' mindsets and factors. The emergence and evolution of the concept of 'Finnish value-added' (FVA) has taken place in the interaction between developmentalist and instrumentalist viewpoints: people managing and delivering Finnish aid have commonly understood well both perspectives and tried to combine them in a very pragmatic way. Thus the negotiation between the two discourses in the history of Finland's development cooperation is not to be equalled to a struggle between 'good' and 'bad', or more 'altruistic' or 'egoistic', development cooperation moralities, but should rather be seen as a demarcation of

policy discourses, driven by different underlying conceptualisations of aid.

In our analysis, the concepts of developmentalism and instrumentalism function as analytical tools, since they refer to the contents of the changing discourses powering the emergence and evolution of Finnish development cooperation, and thus help to grasp the basis for the definition of FVA. Even if the term 'suomalainen lisäarvo' (Finnish value added) itself was not articulated as a policy concept until 2004, the idea underlying it is widely recognised by different parties having been there as one of the key principles guiding Finnish aid 'right from the beginning'. While the emergence of the policy principle underlying FVA is firmly rooted in the instrumentalist discourses prevalent in the early years of the formation (1960-1970) and consolidation (1980-1991) of Finnish aid, the re-emergence of this principle in the guise of FVA as an explicit policy concept in the 2004 *Development Policy Programme* must be seen against the need to detach Finnish development cooperation from the old instrumentalist discourses and realign it along more developmentalist lines while at the same time accommodating it to the new political instrumentalities. However, the political shift brought about by the policy statements and implementation of the "*Development Policy Programme 2007 – Towards a Sustainable and Just World Community*" is evidence of the continuum of instrumentalist forces in the definition of FVA even in the 2000s.

From this point of view, instrumentalist and developmentalist discourses are essential to understanding the reasons why policy concepts such as FVA have been given different definitions in different policy environments. However, the main issue of FVA as a policy concept goes beyond what this pair of analytical concepts can capture. Regardless of the question of the extent to which the prevailing interpretations of FVA are more 'instrumentalist' or 'developmentalist', the common element behind the idea of FVA itself has been the unilateral search for the 'strengths' or 'comparative advantages' that Finland as a donor can bring into multi- or bilateral development cooperation arenas. From their own points of departure, whether they lean toward instrumentalist or developmentalist thinking, Finnish policy-makers have gone to great lengths to define the sources of the value added, irrespective of the local partner country needs and external contexts. As a consequence, Finnish aid seems to have had two lives of its own: one at the level of the policy declarations made in Helsinki, and another in the practices carried out at the country level and at the grassroots level on the ground.

3.2 The short career of Finnish value-added as policy concept

As an explicit policy concept, Finnish value-added has a rather short pedigree. The term appeared in Finnish government documents only after the turn of the millennium. The first time that 'value added' (lisäarvo) was explicitly mentioned was in the 2001 "*Operationalisation of Development Policy Objectives in Finland's International Development Cooperation*". A specifically 'Finnish' value-added has figured only in the 2004 and 2007 white papers. In both cases, it was not merely left hanging in the background as a policy principle, but real efforts – albeit very different ones – were made to put it in practice; and it also appeared on the list of the issues to be investigated in the evaluations commissioned by MFA. Even during this very short history of explicit application, it has already been put to many different uses and has meant many different things, from Finland's own development experience to promotion of Finnish trade interests.

The emergence of FVA as a policy concept is strongly linked with the EU and the global donor community becoming an important reference point for Finnish policy – not only for development policy but for foreign policy in general. In the 1990s, Finland's development cooperation entered into an era of global development values with Finland eagerly carrying the flag for all the new global development themes, issues and focuses adopted from the UN, OECD/DAC and in particular, the EU. Finland was actively participating in the donor processes as a member of OECD DAC and EU, and its development policy gained increasing global flavour. This was a time when the Millennium Development Goals (MDGs) had been set as the international aid targets for reducing poverty by 2015 in a measurable way; but the new funding commitments were not yet in place. It was only in 2002, in the wake of 9/11 and in preparation for the International Conference on Financing for Development in Monterrey, that the EU reaffirmed the old UN goal to raise the aid funds up to 0.7% of the GNI by 2015. This reaffirmation was accompanied by the emergence of a strong aid effectiveness discourse. The High Level Forum on Harmonisation in Rome (2003) paved the way to the Paris Declaration on Aid Effectiveness in 2005: at this Forum Finland amongst other donor agencies famously committed to better coordination and harmonisation of aid activities at country level. The Paris Declaration marked a new era in aid policies: besides better donor coordination, it spelled out the need for developing countries to bear the responsibility for their own development, making aid a joint endeavour rather than a one-way relationship between a donor and a recipient. While the MDGs remained the key targets for development interventions, the aid effectiveness discourse gradually shifted the donor focus toward aid delivery practices and consequences.

From this context two main concerns emerged in Finland's development cooperation. Firstly, as Finland joined more closely to the international development processes and agendas, the internal need to place distance between the old political and economic instrumentalities and the new developmentalism, as well as to set the parameters of the 'new' development policy, became more evident. Secondly, as Finland had become linked more than ever with the global donor community, concern for the role to be played and the value added by Finland as a small donor in multi-stakeholder development processes emerged. A "new development policy" was required to tackle these challenges, and it is in this new policy that the term FVA emerges for the first time as a specific policy concept.

While in 2001 Finland was seen as participating in the international development cooperation coordination process and determining its contribution 'on the basis of the added value that our participation in the processes entails' (*Operationalisation of Development Policy Objectives*), the 2004 white paper was far more ambitious in using FVA to place Finnish aid firmly on the developmentalist ground. In the 2004 policy paper, FVA, which had been an underlying principle in Finnish aid policies since the 1960s, was written out as an explicit policy concept and given a developmentalist definition to detach it once and for all from its instrumentalist connotations. This definition was influenced strongly by a study on Finnish aid from a Southern perspective, commissioned by the Ministry (Saasa et al., 2003), in which Finland was urged to consider its own development experiences, gained in the country's profound transformation from a survival society to a post-survival "informational society", as particular strengths Finland could draw on and bring into international development discourses. Consequently, FVA was defined in relation to Finland's own experiences as a developing country:

'With regard to its own participation, Finland must consider the value that it can contribute to international development. On the one hand, this value added arises from Finland's own cultural history and experiences ..., as well as the values rooted in them, and, on the other hand, from the special strengths and skills that Finland has acquired in certain sectors.' (2004 *Development Policy*, p. 8.)

The point of the Southern researchers was not to suggest that Finland's development experiences and solutions could be transferred in toto elsewhere as 'models of development', but to state that Finland's own history provides a good starting point for sharing experiences with other countries. They took a very critical stand against the then prevalent economic doctrines of development dominated by international financial institutions, and as well as against the then dominant policies such as those presented in structural adjustment programmes (SAPs) and poverty reductions strategy papers (PRSPs). They argued that Finland's development history

could provide an alternative approach. Finland's own experiences as a developing country – “especially those related to an efficient formulation and implementation of social policy as a necessary complement to economic growth policies” – should encourage Finland to advocate in developing countries for different economic development models in which economic and social welfare aspects were equally balanced (Saasa *et al.* 2003, pp. 13-18). The different chapters of the book also offered many FVA related issues – that could be utilised in this approach, e.g. by making equality of all people (no class, caste or ethnic divisions) a particular Finnish value. They further argued that since Finland still sees itself as a minority force in the world, it is therefore timid in asserting its value-added in international arenas.

The main message of this policy alternative was, however, somehow lost in the 2004 policy paper which managed to convert global and European political values such as the respect for human rights, democracy, good governance, equal participation of women and men, and responsible economic growth, into factors that had enabled well-balanced development in Finland's own development experience (2004 *Development policy*, p. 8). Development values previously thought of as universal (or global) were now taken as lessons learned by Finland in transforming Finnish society from that of a poor country into ‘one of the world's most competitive welfare and information societies’ in only five decades (*ibid.*). These values were presented as the basis for ‘Finland's strengths’ in the global development business, with development experiences replacing the instrumentalist focus on special sectors of technical know-how. To make the break with the old instrumentalities even more explicit, the 2004 policy paper stated clearly that ‘with the changed nature of development cooperation, the increase in developing countries’ own responsibility and the internationalisation of aid [...] (t)he most important advantage of development cooperation for companies is that it helps to create safe and stable conditions for business operations and investments’ (*ibid.*, p. 38).

According to interviews with contemporaries, the 2004 policy struck responsive chords in the Ministry and in Finland's small development community. The new focus areas in the 2004 policy declaration adopted this new stand based on development experiences, making areas and activities related to social aspects of poverty into specific tasks for Finland in the achievement of the Millennium Development Goals³. In the social areas Finland was considered to have “a lot to offer in dealing with these issues” (*ibid.* pp. 16, 17, 21, 22, 23), owing to its own development experiences and expertise in development cooperation (*ibid.*, pp. 2, 3, 4, 8).

³ Finland's focus on global development goals was targeted at: basic education and health care, HIV/AIDS as a development issue, promotion of social security networks, water and sanitation, sustainable management of natural resources, food security, forestry as part of rural livelihoods, and information and communication technology (*Development policy*, p. 9).

However, it is hard to say to what extent the changed thinking reflected in the 2004 policy really influenced the practices on the ground. Certainly budget support was taken into use in selected countries; and a comparison of the OECD/DAC peer reviews of 2003 and 2007 show a shift in focus in Finnish sectoral support from economic infrastructure to support of social infrastructure (OECD 2003, p. 29)⁴ and Government and civil society (OECD 2007, p. 37). Even if Finland's development policy was firmly moving along mainstream developmentalist lines, according to the same reviews, the internalisation of new aid values was hampered in practice by i.a. deficient staff capacity (both in terms of numbers and development expertise), and a lack of specific country strategies providing a framework for purposes of policy dialogue, accountability, transparency and monitoring (OECD 2003, pp. 14-15). In addition, the reviews noted deficiencies in aid performance, and a lack of systems monitoring impact and effectiveness to use in reporting lessons learned, along with Finland's deficient capacity to align their support with the partner country's own objectives and strategies (OECD 2007, pp. 15-17). This leads us to the second concern of Finnish aid: the role of Finland in international donor arenas and processes. The OECD/DAC review commends Finland for leading some EU level initiatives such as the *EU Code of Conduct on the Division of Labour*, but then chides Finland for failing to put these initiatives into practice (*ibid.*, pp. 16-34). Furthermore, some of the old commercial instrumentalist practices with both "commercial and developmental objectives", such as the concessional credit scheme, remained despite DAC recommendations to discontinue them (OECD 2003, p. 13 and 2007, p. 16).

The value-based focus of Finnish strengths in international cooperation was in any case short-lived. The 2007 white paper on Finnish development policy not only introduced sustainable development as the new focus of Finnish aid, but also firmly re-established Finnish aid on a foundation of areas in global development in which Finland had internationally competitive resources to offer. As written, the 2007 white paper did not seem to represent a major shift from previous policies. Strongly linked to the then Minister for Development and Trade, Mr. Paavo Väyrynen, the 2007 policy reflected the Minister's personal predilections well known from his political career in the 1970s and 1980s. In practice, however, these earlier policies were importantly modified in 2007 by the canons of the prevailing international discourse, and by the political and legal restrictions Finland's EU membership put on favouring Finnish interests in development projects. The eradication of poverty remained one of the most important stated objectives of Finland's development

⁴ Distribution of Finland's ODA commitments 2000/2001 in comparison with 1990/91 showed a proportional increase in social infrastructure and services from 17% to 44%, being higher than the DAC average of 33% in 2000/01. At the same time, economic infrastructure support was reduced drastically from 19% to 1%. This shows that the 2004 white paper rather captured than created the already prevalent trend in Finnish aid of focusing on social instead of economic poverty.

cooperation, and ecologically sustainable development was raised to an equal level (*Development Policy Programme 2007*, p. 17), together with social sustainability. These were the ‘three pillars’ of Finland’s development cooperation. In the special sectors, Finland was to continue its bilateral, programme-based cooperation in i.a. forestry, water, environment, energy, education and training, health, and regional and rural development (*ibid.*, pp. 28-9). Cross-cutting themes remained focused on the rights and status of women and girls and other easily excluded/marginalised groups, promotion of gender and social equality, and combating HIV/AIDS as both a health problem and a social problem.

Upon publication, the 2007 white paper received a blast of criticism from both NGOs working in development and certain researchers alike. The NGOs attacked what was seen as an overemphasis on economic and environmental development issues at the cost of social ones. Researchers were concerned over the reappearance of the ‘old school’ notions of Finnish value addition. In the 2007 policy declaration, development aid was seen to present ‘opportunities’ to utilise Finnish know-how and expertise (*ibid.*, 29). When planning aid, the need for aid was made secondary to other aid conditions, ranging from a country’s commitment to development goals to the ‘added value provided by Finland’ and the ‘status of Finland’s development policy priorities in the country’s development plans’ (*ibid.*, p. 31). Deployment of Finnish resources, including Finnish value added, was linked to Finnish technical assistance, and sector choices were focused on ‘areas where Finnish expertise and experience can be best used to support partner countries’ own development programmes’ (*ibid.*, p. 17).

The guidelines and implementation plans based on the 2007 development policy paper indicate more clearly than in the policy itself how FVA became overtly linked to Finnish know-how and expertise. In almost all development guidelines prepared under the 2007-2011 Government, Finnish expertise, competencies, and/or production capacity in different aid sectors is presented as a means to provide or utilise FVA in development cooperation. In budget support, ‘Finland will focus primarily on those sectors and themes in which it can provide value added based on its own expertise’⁵. An Institutional Cooperation Instrument (ICI) was created to ‘enable the expertise in the Finnish public sector to meet the needs of the public sector in developing countries’, in addition to ‘supporting projects aimed at reinforcing commercial capacity that provide a natural way to make use of Finnish value added’⁶. In environmental cooperation, Finland was to focus on areas where it can provide value added. ‘Financial instruments and partnerships will be developed to enable the utilisation of Finnish know-how and production capacity in promoting ecologi-

⁵ *Yleinen budjettituki ja sektorituki osana Suomen kahdenvälistä ohjelmaperustaista kehitysyhteistyötä*. Ulkoasiainministeriö 2010; p. 14.

⁶ *Kehitys ja turvallisuus Suomen kehityspolitiikassa*. Ulkoasiainministeriö 2009, p. 27.

cally sustainable development.⁷ In forestry, ‘Finland will continue capitalising its expertise and focus its cooperation on the production of Finnish value-added in international forestry and environmental policy and forest sector development processes’⁸. In aid for trade (AfT), the potential of the areas where Finland supposedly had world-class competitiveness (such as agriculture, energy, environment and ICT) was to be harnessed in six thematic cooperation clusters (agriculture, forestry, energy, water, knowledge society, and environment and climate change). ‘Integration of AfT efficiently in these clusters ensures meetings between Finnish supply and the needs in partner countries, and the best utilisation of Finnish value added’⁹. Only the water sector strategy apparently deviated from this line of thinking, as it makes the development of international water know-how the basis for potential FVA in the water sector in development cooperation, tacitly acknowledging the need for Finland to develop and internationalise national expertise in the water and sanitation sector to better meet the demands of partner countries¹⁰.

In practice, the 2007 policy programme marked the start of a continuous search for FVA as defined in the abovementioned narrow sense. In this search, Finnish aid took a mental U-turn back towards the 1980s. The revision of bilateral aid to determine what constituted FVA (*ibid.*, pp. 32-33) was conducted by everyone from the Development Minister himself down to workers at the country level, especially during Minister Väyrynen’s visits to long-term partner countries. In various interviews he reiterated his personal preferences regarding development cooperation, which were not always directly attributable to the white paper, but which steered the way the policy was translated in practice. Resources to aid modalities in which the Finnish contribution (FVA) seemed difficult or impossible to define, notably general budget support, were curtailed from 10.1% of bilateral aid in 2006 to 3.7% in 2009 (*Suomen kehitysyhteistyön perustilastot 2010*). Most efforts and new resources available from the growth of the development cooperation funds were allocated to interventions which could be planned to provide an opportunity for Finnish commercial and other interests to participate while still conforming to the competition rules of the EU and the harmonisation demands of the new aid architecture. Basically this came to mean increased project-type aid in areas in which Finnish resources were regarded as internationally competitive, such as forestry, energy, and information and communications technology (ICT). Support to economic infrastructure increased from 5.1% in 2006 to 17.5% in 2009 (*ibid.*, p. 57). All these changes were welcomed by representatives of Finnish companies as producing the right kind of FVA (Vasamo in Kettunen 2011). Meanwhile, processes such as

⁷ *Kehityspoliittinen ympäristölinjaus*. Ulkoasiainministeriö 2009, p. 25.

⁸ *Kehityspoliittinen metsälinjaus*. Ulkoasiainministeriö 2009, p. 5

⁹ *Kauppaa tukeva kehitysyhteistyö – Suomen toimintasuunnitelma 2008-2011*. Ulkoasiainministeriö 2008, p. 9.

¹⁰ *Suomen vesialan kansainvälinen strategia*. Ulkoasiainministeriö 2009.

the updating of Harmonization Action Plans, and country-level implementation of cross-cutting guidelines and issues (notified as a deficiency in the OECD/DAC 2007 peer review), were slowed down or even paralysed.

After becoming a prominent feature in the 2007 policy guidelines, the search for an accurate definition for FVA has continued in MFA via internal training and evaluations. Even outside researchers have been commissioned to shed light on the issue, as evidenced by this report. In MFA's external evaluations, the criteria of FVA has been included since the adaptation of the European Commission's Evaluation Guidelines,¹¹ and has become an evaluation requisite following the recommendation in the "*Meta-Analysis of Development Evaluations in 2006*" (White and Stenbäck 2007, p. 23) to include FVA as a policy concept as one of the evaluation requirements, together with other cross-cutting issues. However, in the *Meta-Analysis of Development Evaluations in 2007 and 2008*, Williams and Seppänen (2009, p. 64) reported that the issue of 'Finnish added value' was only explicitly considered in eight out of 36 interventions evaluated in 2008 and 2009, with the added note that even the team members of this meta-evaluation had differing ideas as to what exactly constituted Finnish added value. In evaluations made of Finland's key development cooperation sectors, the report on the evaluation of "*Finnish Development Cooperation in the Water Sector*" refused to use FVA as a criterion since it was not adequately defined, while the sectoral evaluations of Finnish support to Agriculture and Forestry, and Biological Resources, found that the issues which could have been seen as 'Finnish added value' were either missing (Matz *et al.*, 2010, p. 57) or their potential was underutilised (Hardcastle *et al.*, p. 35).

With the exception of the 2010 *Sustainability in Poverty Reduction* synthesis evaluation and the three country programme evaluations mentioned above, other evaluations done in this timeframe either do not describe how Finnish value added is to be evaluated, or link it to Finnish areas of expertise. Taking a totally different starting point, the *Synthesis Evaluation* and the country evaluations carried out by Caldecott *et al.* (2010) provided an interesting contribution to this search by defining FVA as a (positive) uniquely Finnish contribution stemming more from the values and principles of the Finnish people, and the ways in which Finland provides aid, than from the reasons for which the aid was being given. At the same time some inconsistencies were noted (see especially the note on p. 86).

¹¹ EuropeAid 2006. *Evaluation Methods for the European Union's External Assistance. Guidelines for Project and Programme Evaluation*. Volume 3. European Communities, Luxembourg.

Year	Highlights during the formation and consolidation of Finnish aid
1940	Membership in ILO
-	FAO (1947), WHO (1948)
-	
1950	Technical experts working in UN positions
-	
1955	UN membership in 1955
-	
1960	First Finnish bilateral development project, in India (TA to forest sector development) in 1960
-	
1963	Establishment of the Finnish Development Aid Committee
-	First development cooperation report in 1963
-	
1965	Establishment of the Office of Development Aid in 1965
-	
1966	Consultative Committee for Development Aid Affairs established in 1966
-	
1968	Increase of bilateral aid
-	
1970	Guidelines for Finnish development aid policy for the years 1968-1972 (report of the committee)**
-	
1972	First Development Credits in 1972

A major element common to both the 2004 and the 2007 white papers is the quest for particularly Finnish value added to be infused into international development cooperation. While differing in definitions of the source from which this value addition derives (either from Finland's own values or experiences in development, or from Finnish national competencies), both policy papers sought for criteria which would distinguish a specifically Finnish contribution to international development cooperation. According to the interviews carried out in the present study, many interpretations of FVA continue to co-exist among the development cooperation staff, but the main concern seems to be the need to 'force Finland to take a better look on what a small donor like us can really contribute in each aid sector' and whether 'Finland has anything to give to others (donors and recipients alike) in multilateral and bilateral aid'¹². For this, 'Finland is seen to need more evidence to know better what its strengths are', a need reflected by the on-going efforts in MFA to create a more results-based management system, in order to be able to provide more systematic and attributable evidence on the effects and impacts of Finnish aid.

At the time of this study, Finland has a new Government and a new and very different Minister for International Development, Ms, Heidi Hautala of the Green

** Suomen kehitysapupolitiikan suuntaviivat vuosille 1968-1972. Kehitysapuasiain neuvottelukunnan mietinnön I osa. Komiteamietintö 1968: A 9. Helsinki 1968: Valtion painatuskeskus.

¹² Interview of the Under Secretary of State in Development Co-operation, Ritva Koukku-Ronde, June 2011.

Party, which puts a strong emphasis on human rights. With this new Administration, the prominence of FVA as a specific policy concept has declined. Instead, the new Development Policy Programme 2012 speaks of Finnish strengths in general terms such as ‘consistency, perseverance, and ability to cooperate; many other Finnish ‘strengths’ listed in the first draft of the Programme and ranging from anti-corruption and women’s empowerment to state sector research institutions have thankfully been omitted in the final version. However, as the following analysis of the long-term thinking preceding the emergence of FVA as a policy concept will show, the key questions guiding the search for a definition of FVA (with what Finland as a small donor has to add to the total picture being one of the most important questions) have not disappeared in 2012.

3.2 Long-term thinking behind the broader concept of Finnish added value

Even if the term Finnish value-added itself was not articulated as a policy concept until 2004, something akin to it is widely recognised by different stakeholders as having been there right ‘from the beginning’ as one of the key principles guiding Finnish aid. The historical origins of the concept are to be found in the basic principles of Finnish development cooperation that were laid down by a few early and influential policy papers (especially the Committee reports of 1963 and 1978¹³). These early principles became the uncontested building blocks of development cooperation policies for decades.

The most basic doctrine in Finnish international development is that aid and other development policies are part and parcel of Finland’s foreign policies. In the early years, this link to foreign policy was the dominant if carefully unstated rationale for aid, and the reason why all development activities were subsumed under the Ministry for Foreign Affairs. During the Cold War and the consolidation of Finland’s policy of neutrality, the arenas of Nordic and UN development cooperation offered top Ministry officials a clever way to strengthen Finland’s ties with the West without endangering Finland’s all-important relations with the East (Koponen 2005a, p. 6).

In these formative years, overtly instrumentalist arguments were also needed to justify the overseas development assistance, which was constantly under attack from those with different points of view. As Finland was just emerging from the post-war recovery and undergoing reconstruction itself, giving financial aid to faraway Third World countries was constantly questioned. Here the Finnish context differed considerably from that of other Nordic countries in which the developmen-

¹³ *Kansainvälisen kehitysavun komitean mietintö* and *Kehitysyhteistyökomitean mietintö* (also known as the “Jansson’s Committee Report”).

talist discourse had a much stronger home base, probably because of the wider economic and political relations the other Nordic societies had with developing countries. At that time, Finland had few connections with developing countries; and the developmentalist ethos was weak. The knowledge and understanding of development cooperation rested on the shoulders of a handful of politicians and diplomats inspired by the other Nordic countries' example, that of Sweden in particular.

Developmentalist viewpoints started to take shape in the early 1960s, first appearing in the International Development Assistance Committee Report (1963) which was basically written by Jaakko Itoniemi as the Secretary for the Committee. This 1963 report¹⁴ can be said to have kicked off Finnish aid in the form peculiar to it. The 1963 Committee Report, a fair compromise between the developmentalist and instrumentalist discourses, nailed down the basic foundation for Finnish aid for years to come. This was not only because no other development policy paper was written until 1974, but also because the key principles of the 1963 report have been repeated, refined and reinforced by other policy papers ever since, continuing even in the first decade of this century¹⁵. These foundation principles can be summarised as follows:

- a) *Development policies are part and parcel of Finland's foreign policies.* The essence of foreign policy is to safeguard Finnish interests in international arenas, including commercial and export-related interests. Development cooperation can thus act as one instrument in the wide range of multiple foreign policy/export promotion instruments.
- b) Finland's nature as a fairly small economy makes it difficult for Finland to make large capital or financial investments in developing countries. As a consequence, it is *better to focus Finnish aid on exporting Finnish expertise and technology* than on straightforward transfer of Finnish funds.
- c) *To justify aid to Finnish politicians and citizens, a healthy status-quo between idealism and pragmatism is required.* This status quo has been formulated differently in different times, but it is always characterised by the need to reach a 'win-win situation' between the recipient country demands and Finnish aid supplies.

The implicit notion of value addition, in the sense of what Finland, as a small economy with little political or societal support for large capital and financial investments in developing countries, could bring into international cooperation, was

¹⁴ Before the 1990s, different Committee reports acted as development policy white papers.

¹⁵ Two policy papers appeared during the 1970s: the Development Policy Decision-in Principle of 1974 (*Kansainvälisen kehitysyhteistyön periaateohjelma*) and the aforementioned Jansson's Committee Report in 1978. After this, no other policy declaration was made until the 1990s since during the 1980s the focus was on professionalising the delivery of aid with the help of a series of development cooperation guidelines.

an important underlying factor in the formulation of the above principles. Even if it was recognised that direct funding would have been the obvious priority for developing countries, the technical knowledge Finland had to offer, and that developing countries were perceived as lacking, was deemed to be a contribution worth making. This principle of the transfer of know-how was consolidated as the focus of Finnish aid, with the provision of Finnish expertise and technology as the main value-addition Finland could provide for developing countries.

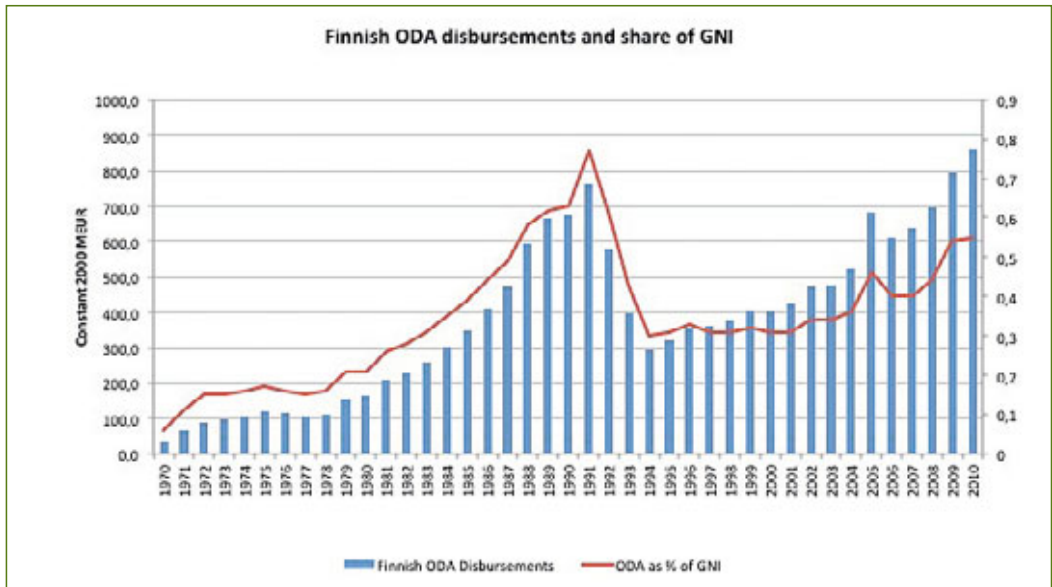


Figure 3.1: Finnish ODA disbursements and share of GNI in 1970-2010.

Sources: For 1970-74 calculated from OECD/DAC QWIDS database; and for 1975-2010 from MFA statistics (Suomen kehitysyhteistyön perustilastot 2010 and MFA website).

While the 1970s consolidated the existence of Finnish aid, the 1980s was characterised by aid growth as Figure 3.1 above illustrates, as well as by the commercialisation of aid. Whereas until 1966 Finland had been a recipient of foreign aid in the form of World Bank loans, and only a modest donor, from the late 1970s onwards the amount of Finnish aid increased rapidly. Growing aid volumes attracted economic interests towards aid flows. The commercialisation of aid was driven by the launch of development credits in 1972, and the subsequent transformation of most of these credits into grants, which were easier to use. The entry of consultancy companies into the implementation of projects furthered the transformation of aid into a business. In the 1980s, Finland's cooperation projects in partner countries consisted mainly of Finnish exports and export-related technical assistance. Gradually the Ministry took a firmer grip on project identification and country programming. In the

absence of development policy white papers and decisions-in-principles¹⁶, sectoral guidelines and manuals directed aid planning and implementation. Implementation was largely carried out by Finnish consultant companies, further professionalising Finnish aid and reinforcing the developmentalist trends within the Ministry.

Thus, throughout the history of Finnish development cooperation, the concept of FVA was strongly involved, although not as an explicit notion, but rather as an underlying mixture of developmentalist aid objectives and the instrumentalist use of aid resources. The essence of FVA in the early formative years was the quest for a 'golden mean' between the Finnish supply of different forms of aid and the demand from recipient countries. The 1963 Committee Report created this principle by declaring that 'the forms of Finnish aid are to be determined by the Finnish supply'; rephrased in the 1978 Jansson's Committee Report as a "need for Finnish cooperation to target sectors where Finland has competitive resources to offer." This rephrased principle was recycled again into the post2007 period. After these two Reports, the principle of 'supply and demand' has become a constant policy variable in Finland's development cooperation policy documents, where it constitutes the basis for understanding FVA as a 'comparative advantage' Finland has in the development business. The Finnish 'supply' became equated with technology and expertise in key Finnish 'resource sectors', primarily forestry, water, agriculture and education (*Kebitysyhteistyökomitean mietintö*, p. 59).

Inherently a concept derived from trade and economic theories, the concept of value-added as a Finnish comparative advantage in the allocation of Finnish aid resources not only reinforced but justified the instrumentalist use of aid by drawing on developmentalist premises. The idea of FVA as the export of Finnish technological and technical expertise was backed up by the prevalent modernisation theories that argued that underdeveloped countries were not 'underdeveloped' but only in earlier stages of modernisation (or industrialisation) than today's 'developed' countries. As industrialisation, and especially export-oriented industrialisation, had been Finland's own (and at that time rather recent) path to economic growth, it was firmly believed that the exportation of Finnish technical expertise, together with the Finnish experiences on the establishment of these industrialisation processes¹⁷, would be of consequence for the economic growth of developing countries, too. In the exportation of Finnish expertise, the transfer of Finnish development experiences was an important underlying principle.

¹⁶ In the mid-1980s, international ideas on project management practices began to gain ground in KYO (*Kehitysyhteistyöosasto*, Department for Development Cooperation) which published a series of guidelines for the health sector (1985), water sector (1987), social sector 1989, and forest sector in 1990, KYO adopted such concepts as project cycle, project planning, evaluation, and logical (or LOG) framework and disseminated them through the 1988 Consultant Handbook and the 1991 *Guidelines for Project Preparation and Design*.

¹⁷ This was clearly evident in our case country studies. In these countries, during the 1970's-1980's, Finland's idea of development cooperation was not only to export Finnish equipment and technical expertise but also to use it for setting-up or developing entire industrial sectors, such as forestry in Tanzania or dairy plants in Nicaragua.

The possibility for a ‘win-win’ situation between the Finnish supply of aid and the recipient country’s demand also made the quest for a Finnish comparative advantage acceptable to participants with more developmentalist mindsets. If the resources invested in third countries would provide positive returns to Finland as well, in terms of employment (of experts and consultants) and exports, thus securing political support to continue Finnish aid, so much the better. But there was a real loser, too: the developmentalist need to focus the small amounts of Finnish aid on a limited number of cooperation partner countries and sectors¹⁸. While a few countries gained the status of a long-term ‘main recipient’, the list of partner countries constantly changed along with current Finnish political and economic interests. The deployment of aid was done according to available Finnish expertise and exports within the sectors of cooperation¹⁹. As Figure 3.2 below demonstrates, Finnish bilateral aid is even today very thinly dispersed across many partner countries, as well as across various sectors, especially if regional cooperation programmes are taken into account. The same is true for multilateral cooperation. Even if the fragmentation of Finnish aid today cannot be fully attributed to the application of the notion of FVA, it can be said that the principle of targeting Finnish aid based on the specific technical competences Finland has to offer led to opportunistic cooperation decisions in the 1980s that were later consolidated as ‘criteria based’ partner choices in policy decisions made in 2001 and 2004, rather than being questioned as ‘acquired traits’.

In the 1993, 1996, 1998 and 2001²⁰ development cooperation policy documents, the focus of FVA seems to have shifted from the search for particularly *Finnish strengths* or contributions to the promotion of global development values by Finland. A new development ‘doctrine’ entered Finnish aid policy, built around notions of democracy, good governance, an open market economy, and environmental sustainability, along with ‘poverty reduction’ (often carelessly conflated with poverty eradication) as the key goals of Finnish development cooperation. This doctrine faithfully reflected the UN’s ‘global agenda’ which had been developed through a series of international UN-led conferences²¹ in the 1990s; as well as the economic positions advocated by the international financial institutions.

¹⁸ The 1974 Decision-in-Principle on Finland’s development cooperation already stated the need to focus Finnish aid on a selected small group of countries (and sectors) in order to increase effectiveness.

¹⁹ The 1974 development cooperation Decision-in-Principle stated that intervention sectors in bilateral aid were to reflect or depend on the ‘Finnish resources in different fields’ (p. 18). The list of potential sectors for Finland’s development cooperation was soon widened in the 1978 Jansson’s Committee Report; and the MFA action plan and financial plan for 1984-86 included various sectors i.a. forestry, industry, agriculture, cooperatives, construction, infrastructure, health care, education, family planning, trade unions, food production, environment, water management and energy.

²⁰ *Suomen kehitysyhteistyö 1990-luvulla: strategiset tavoitteet ja keinot; Kehitysyhteistyön periaatepäätös*, Valtioneuvosto 12.9.1996, Helsinki: Ulkoasiainministeriö; *Suomen kehityskaupoliikan linjaus*, Valtioneuvosto 15.10.1998, Helsinki: Ulkoasiainministeriön kehitysyhteistyöosasto; and the *Operationalisation of Development Policy Objectives*.

²¹ Highlights included *The Convention on the Rights of the Child* (1990) and conferences or world summits on *Environment and Development* (1992); *Human Rights* (1993); *Population and Development* (1994); *Social Development* (1995); *Women* (1995); human settlements (1996); food (1996); and the UN General Assembly Special Session in 1997.

Year	Highlights during the globalisation of Finnish aid (1991-2011)
1991	ODA reaches 0.77% of the GNI and declines sharply in 1992-94
-	
-	
1995	Finland joins the European Union
-	
-	Decision-in-Principle 1996
-	
-	Comprehensive policy on Relations with Developing Countries 1998
-	
-	Development volunteer programme ends
2000	
-	Eight long-term partner countries established in 2001
-	
-	Adoption of MDGs in 2001
-	
-	FVA emerges as a policy concept in the 2004 Development Policy resolution
-	
2005	Paris Declaration 2005
-	
-	FVA re-defined in the 2007 Development Policy programme
2011-	
2012	New Government and new White Paper replaces FVA with 'Finnish strengths'

Despite the move towards more value-based and developmental principles in FVA, the key principles underlying the concept did not essentially change in the 1990s. While the 'demand' side was increasingly linked to recipient countries' needs, described now in terms of the country's economic poverty levels (*Operationalisation of Development Policy Objectives*, p. 5), Finland's own strengths, the former 'supply', remained a core imperative – or ideal – in aid allocation. It was still thought that Finland could provide the best value addition when focusing on countries and sectors where it had national competencies or experience gained through previous development cooperation relations (*Suomen kehitysyhteistyö 1990-luvulla*, pp. 23-4). The sectoral targeting in recipient countries was to be done together with the partner governments, but its purpose was to offer 'quality [Finnish] resources' demanded by or 'deemed as interesting by' Finland's partners (*ibid.*).

3.3 Conclusions: change or continuity in the underlying features of FVA?

The historical analysis shows that 'Finnish value added' (FVA) has been a dominant feature in Finland's development cooperation right from the beginning, either as an explicit policy concept or as an underlying principle guiding decisions on targeting aid to different countries, sectors and interventions. The origin of the notion has

both instrumentalist and developmentalist foundations, which explain its persistence: first as a means for justifying Finnish aid and later on for claiming Finland's specific place in the new international aid agenda or 'architecture'.

For Finland, to allocate its resources to the development of faraway countries and thus become part of the international donor community while still in the middle of its own post-war economic recovery and reconstruction required a strong instrumentalist push. The early instrumentalisation of Finnish aid was both political (aid as a means for Finland to raise its Western profile) and subsequently economic (aid as a means to promote Finnish exports). In political and economic circumstances where it was hard to justify aid as a transfer of Finnish funds and capital to other countries with no returns on the transfer, the connotation of Finnish value added (FVA) became linked to the technical surplus value Finland could bring into the modernisation processes of developing countries.

Nonetheless a developmentalist dimension was always present. The recognised quest of Finnish development cooperation for a golden mean between the Finnish supply and the recipient country's demand reflected a firm belief that it was possible to reach a win-win situation that was both instrumental and developmental. The pragmatic combination of instrumental aid arguments with developmentalist thinking is probably the main reason why the continuing search for a definition of FVA, in the broad sense of the notion used in this study, has taken so many forms. When Finland joined the international donor mainstream in the 1990s, adopting global developmental values and making them its own, the replacement of modernisation with poverty reduction as a stated development goal made it harder for Finland to define its potential value addition. There no longer were obvious development experiences clearly based on its own strengths to be passed on. In this context, efforts intensified to define ways in which the Finns perceived their own strengths, and the comparative advantages of Finns in multi-stakeholder development interventions, along with ways to distinguish what Finns had that could be useful in development cooperation. The aid harmonisation and aid effectiveness processes of the 2000s forced donors to look for their (comparative) advantages and paved the way for the first explicit policy articulations of value added and Finnish value added, as can be seen in the 2004 and 2007 policy papers. In Finland's quest to locate its niche in the international donor division of labour in the new millennium, Finnish technical resources were just replaced with assumed Finnish development experiences and values as the source of FVA.

One of the legacies of those years is the high degree of fragmentation of Finnish aid (see Figure 3.2) which has been repeatedly criticised by both international (e.g. DAC per reviews) and national (e.g. Development Policy Committee) observers. Even if the fragmentation of Finnish aid today cannot be fully attributed to the ap-

plication of the notion of FVA, it demonstrates that the conceptualisation, identification and application of the notion of 'Finnish value added' has not managed to focus Finnish aid or weed out the opportunism plaguing Finland's development cooperation decisions. The search for Finland's place in international aid continues in the 2012 action programme, but now without the backstopping of the FVA concept itself. By spelling out a new value-based agenda for Finland's aid, this search seems to continue to follow the major currents in Finland's development policies. However, whether it really tackles the key issues hampering the achievement of developmental effects and impacts is another question.

4. HISTORICAL EVOLUTION OF FINNISH VALUE-ADDED: CASES AND TRENDS

In this chapter we discuss a few selected historical trajectories in order to gain a closer look at what we understand to be the original, and still valid, meaning of Finnish value added: the deployment and use of concrete *Finnish* technical competencies and technologies in development cooperation. But as soon as we investigate the actual cases, it turns out that the other meanings of FVA, so neatly separated conceptually in our discussion in Chapter 2, are also involved. In actual use, the definition of FVA also includes such things as the promotion of ‘Finnish (or Nordic/European) values’ and behavioural patterns or ‘performance attributes’ and ‘Finnish ways relating to others’. These are all based on the same value basis, as are the qualities and traits the Finns have acquired during their involvement in partner countries and which necessarily go along with technologies and technical competencies. In order to illustrate how the different notions of FVA have appeared and evolved in practice, we have studied cases in which ‘deployment of Finnish resources’ has been considered as adding value to development cooperation, but where including the delivery methods and the conception of what the relevant resources might be has greatly changed the final definition of FVA.

The historical evolution of Finnish value-added will be highlighted here in two main sectors: forestry and rural water. No claims are made for an evaluation of the overall ‘value added’ in Finnish development cooperation in these sectors; the case studies are meant to illustrate certain types of FVA historically present in Finnish aid. Forestry is examined through comparing the different trajectories of Finnish assistance in two very different countries on different continents, Tanzania and Nepal. The study of the rural water sector follows the evolution of water projects more generally, from the original top-down approach used early on in the Mtwara-Lindi rural water supply project in Tanzania, to more recent and much more community-based projects in Nepal and Ethiopia. In the two latter cases, we will see how the activities have become less driven by the supply of Finnish resources, and increasingly involve a strong value promotion element. Nonetheless, the original notion of FVA has not disappeared in either the discourse or in practice.

4.1 Finnish excellence in forestry and its applications

If there is one ‘sector’ in which the Finns think they have a special excellence and value-added to give to the rest of the world it surely is forestry. The share of forested land in Finland is the highest in Europe, some 73%, and forest products have

provided the mainstay of the Finnish export economy from the early days of the Baltic tar trade in the 1500s. They seemed to lose their significance during the rise of the Nokia-led technology cluster in the latter half of the 20th century, but after the downfall of the latter they have regained their dominance. Presently some 40% of the total value of Finnish exports is accounted for by forest products (*Helsingin Sanomat*, 18.12.2011). Finnish consultancy companies and manufacturers of forest industry machinery are believed to have top-level know-how and products, marketable in developing countries. Many ordinary Finns own some forest and even more enjoy walking and skiing there.

Thus it is no surprise that forestry has in one way or another been present in Finnish development cooperation almost from its inception. What is more surprising is how restricted, fragmented, and haphazard the reality of Finnish forestry assistance has been. In quantitative terms, it never has provided a major chunk of Finnish aid. Only once, in the very exceptional circumstances of the heavy cuts in aid appropriations in the early 1990s, has its share of Finnish total Official Development Assistance (ODA) exceeded 10%. Normally the share of forestry in ODA has remained at much lower levels (see Figure 4.1). In the selection of cooperation partner countries, forest resources have hardly played a role at all, except in one case, Laos, which has not been named a long-term partner. Furthermore, the modalities of development cooperation in the forestry sector have changed beyond recognition, driven more by the fads and fashions in the developmentalist discourse, and the intricacies of international forest discourse, rather than by any Finnish way of utilising the forest. Great differences in country experiences and zigzags within the countries may be explained by the fact that Finns worked for a long time without any detailed guidelines concerning the aims and means of forestry assistance. It is only recently that this lack of definitions of goals and means has to some extent been resolved by the adoption of the principles of sustainable forest management as defined under the UN, which the Finns have also by and large taken into use in their forestry cooperation²².

Finnish forestry assistance has been around for a long time, and several factors have affected its trends and developments. International development policies have changed from an emphasis on modernisation to a focus on structural adjustment and further to poverty reduction; and environmental awareness has irrevocably entered into developmentalist thinking. Finnish aid started with heavily industrial-oriented forestry projects, which gave way to afforestation after the crises of energy and famine in the 1970s had shown the interconnections between energy and food production and the environment. The perspective of the forest sector and indeed development cooperation itself was much widened when the idea of

²² *Development Policy Guidelines for the Forest Sector*. Ministry for Foreign Affairs of Finland 2009.

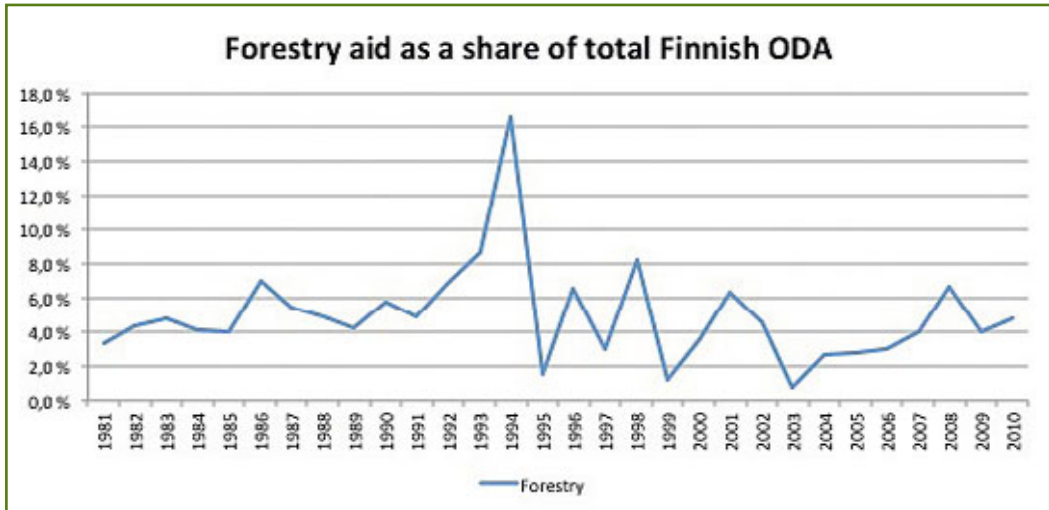


Figure 4.1: Forestry aid as a share of total Finnish ODA

Source: MFA documents and OECD/DAC QWIDS database²³

sustainable development was forcefully articulated in the 1980s and popularised in 1987 by the report of the Commission chaired by Gro Harlem Brundtland, entitled *Our Common Future*.²⁴ Finnish forestry aid then shifted further to forestry planning and policy-making which tried to combine the commercial use of forest resources together with conservation efforts under the banner of sustainable use. Projects were supplemented and to some extent replaced by programmes; and participatory conceptions of forest development and policy planning introduced more socially and culturally sensitive participatory approaches. The local significance of forests for the environment has long been recognised; and to this has now been added the conviction of their crucial role as the regulator of the global climate. Finnish forestry assistance has recognised all these changes but adapted to them in its own way.

Yet underlying all these changes one can discern a specific mindset, or mental model. It is based on a stylised interpretation of Finland's own path of economic development and rests on three basic assumptions. The first is the perception of a forest as an economic asset. The many functions and multiple uses of a forest are duly recognised, but the emphasis is firmly on its economically productive

²³ Figures for 1981-1993 are for disbursements, and from 1994 onwards for commitments. The disbursement data has been gathered from the following MFA publications: *Kehitysyhteistyön vuosikertomus 1981*; *Kehitysaputilastot 1984*; *Suomen kehitysyhteistyön perustilastot 1990*; *Suomen kehitysyhteistyön perustilastot 1993*; and *Suomen kehitysyhteistyön perustilastot 1995*. The commitments data has been obtained from the OECD/DAC QWIDS database.

²⁴ Ulkoasiainministeriö, *Uusiutuvat luonnonvarat kehitysyhteistyössä*. Ulkoasiainministeriön asettaman työryhmän mietintö. Helsinki, 1980; *Miljö och bistånd* (NU 1982: 9); *Ympäristönsuojelu ja ympäristövaikutusten arviointi Suomen kehitysyhteistyössä*. Kehitysyhteistyöhön liittyviä ympäristökysymyksiä käsittelevän työryhmän mietintö. Ulkoasiainministeriö 1984 (jätetty 8.2. 1985)

use. A forest is something that can be sustainably exploited if it is carefully managed according to a plan. The second is the belief that Finland has developed an exceptionally high technical capacity, that is, knowledge, technology, and expertise, concerning forests and forestry; and this technical capacity is something that is eminently exportable. This is a classic case of a comparative advantage that is seen as being particularly Finnish. Finally, the third assumption is the conviction of the beneficial role of the private sector and the importance of private ownership, meaning both private companies and independent farmers. In the Finnish model there is no contradiction between planned economic use and private ownership: on the contrary, they are seen to enhance each other since only the private ownership of the forests can provide the security that is needed for investment in their long term use. “Use it or lose it,” has been the slogan among Finnish foresters. Although the existence of such a model has been contested by some Finnish forestry professionals on the basis that similar ideas can be found in other countries where forestry is strong, such as Germany or Sweden, it seems to us that these three assumptions are particularly widespread and influential in Finland and have informed the Finns’ relationship with forests, including Finnish forestry assistance.

4.2 Tanzania: from state-owned industry to private forestry²⁵

Tanzania is the country where Finnish forestry assistance has worked longest and where it has gone through the whole gamut of approaches, in roughly the sequence described above. This has been possible because Tanzania is a big country, covering more than twice the area of Finland, with extraordinarily diverse forest resources whose values are also diverse and have only gradually been realised and appreciated. Forests in Tanzania are a resource that is greatly undervalued and at the same time heavily overused. Heavy pressure is put on forests by the expansion of agriculture and the ever increasing demand, both domestic and foreign, for fuelwood, charcoal, and forest products including logs, timber, and other wood products. There is little doubt that massive deforestation continues, although before the completion of the on-going, Finnish supported national forest resources assessment, Naforma, nobody knows at what rate exactly. The c. 33.5 million hectares of forest estimated to remain cover roughly onethird of the total land area. They include forests and woodlands of many kinds: from luxuriant, ecologically unique rainforest to degraded bush. Many of these forests continue to retain a high value potential in both ecological and economic respects. The coastal forests are of great

²⁵ Much of the historical information in this section is taken, when not otherwise indicated, from Koponen 2001, with some coming from Koponen 2011. Contemporary information is based on interviews and fieldwork conducted in June and November 2011.

biodiversity importance. The mighty rainforests of the Eastern Arc Mountains, ranging from the Taita Hills in Kenya to the Udzungwa Mountains in central Tanzania, are relatively limited in area but globally marketed as biodiversity hotspots, containing hundreds of endemic species. The less spectacular but very extensive miombo forests harbour in addition to the ubiquitous acacia several ecologically and economically valuable species. Economically, forests could make a much larger contribution to the Tanzanian formal GNI and state finances than that which they are providing for the moment. The present value chains work in such a way that the original producer is left with perhaps one per cent of the export value and the royalties collected by the State are only a fraction (estimates vary from 4% to 10%) of what they should be. The major part of the income from forests is pocketed by middlemen working in collusion with corrupt officials at all levels. (See esp. Milledge *et al.* 2007.)

During the last 40 years Finnish aid has been a relatively small but integral part of development in Tanzanian forests and forestry. Finland has tried to work in a way that would meet the needs of Tanzanian development while at the same time catering for diverse Finnish interests, and in which the Finnish experiences and expertise would provide some value added. Finland has also had ambitions to take the role of a lead agency in forest-related assistance to Tanzania. Finland's contributions have changed greatly and transformed from one mode to another. Historically, there has been a shift from a concept of FVA based on technology and expertise to a more mixed basis of values and policy. Hand in hand with the change in Tanzanian policies, the Finnish support to forestry planning was shifted from shoring up the Tanzanian State-led planning machinery to promoting a new forest policy and law that recognise the importance of community-based approaches and allow for the transfer of the management of forest resources to local communities and the private sector. Much of the Finnish effort has lately been focused on the promotion of private forestry, with some success. High tech approaches are returning via the financing of Naforma, the forestry resources assessment. Because of the length of the time period and the diversity of interventions, it is hard to say what exactly has been the Finnish contribution and value added in the forestry sector in Tanzania. No doubt all interventions have left a footprint of a sort: whether it is positive or negative, on in a reasonable relation to the resources used, and what it all amounts to, is another issue.

Promotion of wood industries seemed a natural starting point, promising benefits to both sides. Finland own spectacular, and at that time still fairly recent, rise in development had to a great extent been based on the strength of the wood industries. Tanzania Wood Industries Corporation (TWICO) had been established as a parastatal holding corporation to run ten subsidiaries formed mainly from

companies nationalised in the late 1960s. Most of them were in need of revamping if they were to add value to the national economy. Finnish aid invested mainly in three TWICO subsidiaries. They imported Finnish machinery and equipment and expected to reap technology and skills transfers through counterpart training by working alongside Finnish technical assistance staff. It was a costly project. At one time the Finnish assistance to TWICO subsidiaries was estimated to greatly exceed their turnover! The costs were hardly in relation to the results. At present, the holding company itself no longer functions. The three renovated companies are still there, trying to stay in business in one way or another under a private Tanzanian or foreign ownership and with a much reduced workforce. Market forces did not value the Finnish contribution highly. In the privatisation process, the new owners paid for Fibreboards Africa Ltd in Arusha, Tembo Chipboards in Mombo, and the Sikh (now Masco) Saw Mills Ltd (SSM) in Tanga an amount equivalent to roughly onetenth of the total amount of Finnish aid sunk in them (see the calculations in Koponen 2001, pp. 97-98). They are now limping on against heavy odds with aged machinery, an old-fashioned selection of products, and an insufficient supply of raw materials.

The project not only failed to produce much that could be recognised as value addition, but it embarrassingly dented the reputation of high forestry expertise cherished by the Finns, and necessitated a complete U-turn in approach. One of the companies, the Sikh Saw Mills (SSM) in Tanga, was allowed to have its logging areas in the nearby rain forests of Eastern Usambara, part of the Eastern Arc biodiversity hotspots and also crucial for local water catchment. Inventories undertaken by Jaakko Pöyry Oy, an internationally renowned Finnish consultancy company, largely inflated their potential for 'harmless' logging. SSM with their Finnish-provided heavy machinery first took the most valuable trees. Then came the pitsaws for lesser species. Many areas made thus accessible were invaded by local farmers. In a few years, forest destruction by all these forces combined was too blatant to be overlooked. An international outcry was raised among the conservationists, and the Finns got cold feet. From facilitating the felling of the Eastern Usambara's rain forests, they jumped to support their conservation. A conservation project was started to maintain 'essential ecological processes and biological resources' for local people as well as for the international community.

However, conservation also proved to be a difficult task and a slow process. Merely the gazettement of Amani, the core of the area, as a nature reserve, giving it a new legal status as entitled to full protection, took some six years, from 1991 until 1997. In the early phases of the Amani project, the local people were hardly involved. Later, even after participatory approaches were introduced, the project retained a conventional exclusionary approach. Much of its energy went into a bitter

quarrel over compensations which left many local inhabitants frustrated (Rantala and Vihemäki 2011). The havoc wreaked by logging for SSM in the East Usambara rain forest, and its detrimental effect on the image of Finnish forestry aid, may now have been made good by the conservation project, but what is currently happening on the ground in the forests is not clear. The project was able to establish a strict conservation status for some 10,000 hectares and conservation has continued as a joint forest management arrangement under the umbrella of the World Bank funded Eastern Arc Conservation Endowment Fund. Yet apparently this has not been enough to stop a continuing forest loss and degradation outside the core areas. There have also been reports of renewed illegal logging inside Amani itself (*Daily News*, 30th June 2011).

The project setbacks and zigzags brought home the fact that Tanzania was lacking a comprehensive forestry and forest industries plan and a forest policy: the existing laws were from the colonial time. Following a long-term planning exercise called the 'Tanzania Forestry Action Plan, 1990/91-2007/08' (TFAP), a revised Forest Policy²⁶ replaced in 1998 the old forest policy originating from 1953, and the Forest Act was enacted by the Parliament in 2002. Duly reflecting the macropolicy changes that had occurred in the meantime, the new policy gives considerable room to non-state actors, dividing the responsibility for forest conservation management between the government and other 'stakeholders'. While the government retains responsibility for forests of 'national interest', including areas of high biodiversity value, nature reserves and mangrove swamps, the management of other types of forests can now be entrusted to local communities, the private sector, or a special executive agency. The Act embraces the principle of subsidiary: the management of forest resources should be delegated to the 'lowest possible level of local management consistent with the furtherance of national policies'.

The policy changes created a momentum leading towards a sector-wide approach in forestry. After the commencement of TFAP, these efforts were carried out under one of the new National Forest Programmes (NFPs), a concept which has emerged from the deliberations of UN-related forums. According to the Code of Conduct for Finnish Forest Sector Development Cooperation, NFPs are understood as a 'generic term for a process towards a comprehensive forest policy framework and programme for the achievement of sustainable forest management, integrated into wider programmes for sustainable land-use'²⁷. It is promised that if a partner country has a "credible" programme, the forest sector programmes and projects financed by the donor will be 'embedded in and be fully compatible with them'²⁸.

²⁶ *National Forest Policy*. March 1998, Dar Es Salaam.

²⁷ *Development Policy Guidelines for the Forest Sector*, p. 17.

²⁸ *Ibid.*

In spite of the commitment of Finland, and other donors, the development of a genuine sectoral approach to forestry has proved an elusive goal. Since 2001, a National Forest and Beekeeping Programme (NFBP) is in place in Tanzania. Its aim is to pool and coordinate the international support of the implementation of the new policies. It covers conservation and management, institutional and human resources, forest-based industries and enforcing of laws and regulations. In spite of its apparently wide coverage, however, much of the forest-related activities takes place outside it. Concerns with climate change have brought in diverse piloting exercises, such as Reducing Emissions from Deforestation and Forest Degradation (REDD), and raised expectations of further incomes from carbon trading even though few if any well-grounded assessments of actual potential for new income exist. What happens within the NFBP resembles more a collection of projects than any firm plan, and implementation of these projects is marred with delays. It is not clear how all the aid funds delivered to NFBP have been used. Donors are getting impatient with the confluence of what is seen as the Forestry and Beekeeping Division's (FBD, under the Ministry of Natural Resources of Tanzania) perennially weak implementation capacity and its vulnerability to political pressure for mismanagement. Most donors, almost all except Finland, have left or shifted their support outside the programme. Hopes are now placed on the new executive agency, the Tanzania Forest Services (TFS), which is finally taking off. (For more detailed information, see Rugumamu's Tanzania background study for this report.)

To be sure, a major component of NFBP is participatory forest management (PFM), and the statistics on the forest transferred to some form of local participatory management are at first sight quite impressive. A closer look, however, reveals a number of weak points. Some four million hectares are reported to be under the management of local communities, c. three fifths of it directly and exclusively through the Community Based Forest Management (CBFM) approach, and the rest managed in common by Central and/or Local Government through Joint Forest Management (JFM). The former mostly consists of ecologically and economically less valuable woodland while in much of the latter, which includes much of the high biodiversity stock, the 'joint' management is joint in name only (for the Amani Nature Reserve see Vihemäki 2009, Chapter 5). At the heart of the problem are the issues of land control and sharing of benefits. 'There is little evidence that the legal transfer of areas of forest has so far been accompanied by tangible local economic returns from sustainable forest harvesting and utilisation', say two well-versed researchers. They warn that 'conscious efforts to avoid elite capture' are needed if poorer members of communities are to get any benefit from the schemes (Blomley and Iddi 2009, p. 44). The effects from the Finnish and Danish aid funds allocated to the districts through the NFBP for participatory forest management are yet to be

seen. In some districts, progress has been quite satisfactory, but most districts are still far from the final stage of handing over the forests to the jurisdiction of villages.

It is difficult to assess the policy influence of Finnish aid, but no doubt there has been some. Both TFAP and the NFBP were drafted with Finnish TA support. When Finland volunteered to assist forestry planning, it was done with the intention that Finland would become the international lead agency for coordination of donor support. Dar es Salaam was the first Finnish embassy in which a forestry expert was placed. That the Finns have not been quite able to acquire the lead donor position they at one stage aspired to may partly be because of different personal inclinations and capabilities of the key staff, but the main reason is probably because of the relatively small amounts of assistance they have been able to offer and the fragmentation of the whole sector. In recent years, big players such as Norway and DfID have opted to work outside of the forestry programme framework.

In one respect the Finnish policy influence is obvious. Although the Finns have made some inputs into promoting participatory forest management, they have chosen a differing overall preference and focused on the economic use of forests through the private sector, targeting especially plantation forests which cover a tiny percentage of Tanzania's forested area but account for a large percentage of its growing stock and even an even larger percentage of its total commercially valuable species. Through these efforts, private actors such as the Sawmillers' Association have gained an increasingly loud voice in policy processes. The argument is that in order to realise the economic value of the forests what is needed is the creation of a 'responsible private sector'. These Finnish efforts in supporting the private sector came under some suspicion at the stage when the Embassy of Finland was seen as pushing the transfer of the management of a government teak plantation, which was once supported with Finnish aid, to a private company partly owned by Finnfund. After wisely abandoning this, the Finns have cautiously argued that private sector involvement will 'enhance the plantation management and increase the value-added and tax revenues'²⁹. Now a concerted effort is planned to support private tree growers in the Southern Highlands through Tree Growers Associations which can be seen to have an affinity with similar cooperative groups in Finland (*metsänhoitoyhdistys*). The social context is totally different, however, and care must be taken that the associations do not become an exclusive domain of the privileged in the villages. It must also be realised that an unofficial 'private sector', in collusion with official elements, is already deeply involved in the exploitation of Tanzanian forest resources. Any attempts to bring in more actors are bound to compete with it, creating a situation whose implications remain to be analysed.

²⁹ Indufor 2008. Appraisal of Draft Programme Document: *Support to National Forest and Beekeeping Programme Implementation Phase II* 2008/09-2010/11, August 12, 2008.

4.3 Nepal: the long goodbye

In Nepal, the forestry aid story is different from that of Tanzania, in several respects. To begin with, the forests are different, and the Nepali forests have been the object of global concern to a much greater extent and over a longer period than those in Tanzania. As early as the 1970s, a rapidly growing population seemed set to denude the Nepalese mountains and hills of trees, threatening to trigger severe flooding not only in the Terai lowlands in Nepal but in neighbouring India and Bangladesh, endangering their teeming hundreds of millions of inhabitants. In the 1980s it was claimed that the Nepalese forests had been reduced by half in twenty years. Both international agencies and some Nepali politicians and officials seized upon this threat to advocate a massive aid programme to stop the destruction of Nepal's forests. Secondly, the timing is different: Finland started its aid programme in Nepal only in the 1980s. Finally, the sequence was different. In Tanzania, Finland started with an industrial project; in Nepal it finished with it. Despite confessed prioritisation of forestry aid in Nepal, after a spate of more or less successful other projects the Finns suddenly (in 1999) stopped assistance to the forestry sector because of the fallout from the contested Bara Management Project (BMP). After a row over a proposed industrial project, Finland decided to withdraw from the sector altogether, only to return almost a decade later.

In Nepal as well as Tanzania, the Finns harboured certain ambitions to become a lead donor in forestry assistance. The formal forest strategy, *Finnish Development Cooperation in the Forestry Sector in the 1990s*, defined forestry as one of the priority sectors for Finnish aid in Nepal. From 1984 to 1997 forestry became one of the important sectors of Finnish aid. Altogether, some 120 million FIM was disbursed for eight forestry projects (Stenbäck et al, 2002). Some Finnish-supported projects concentrated on afforestation, combined with improvement of the management of the existing wood resources, and were located near the major cities of Kathmandu and Pokhara. Others were of a more general and technical nature and had to do with forest resources information or forest sector institutional strengthening. The most consequential was the *Master Plan for the Forestry Sector* which was financed jointly by the Asian Development Bank and Finland, and compiled in 1986-88 by the Planning Division of the Ministry of Forests and Soil Conservation under the guidance of two consultancy companies, Jaakko Pöyry of Finland and its associate, Madecor of the Philippines. This *Master Plan* suggested that 'community and private forestry' would receive major emphasis.

Whatever the actual contribution of the *Master Plan*, it now seems that community forestry has served Nepal well. About 1.2 million hectares of national forests, that is some 25% of them, have been handed over to the local communities for

management by their user groups. The feeling is spreading that the rate of forest depletion has been slowed down or perhaps even stopped and turned around to become an extension of forests. These claims remain speculative and have to be verified by hard evidence. However, Finnish aid cannot take much credit for it. The effects and impacts of early projects were highly localised (Ghimire 2011), and the Finns have been out of the forestry sector of Nepal during the crucial period when the wider forest dynamics seem to have changed. The impetus for this change was given by the wish to avoid community forestry on the hills, which had plenty of donors anyway, and concentrate efforts on the commercially valuable sal (*Shorea robusta*) forests on the southern Terai lowlands instead. A row arose over a proposed innovative project, whereby Terai's forests would have been simultaneously saved and exploited by adapting the Finnish forest management model, with a private Finnish company at the head. When the Nepalis turned this down, Finland decided to refrain from any further assistance to the forestry sector in Nepal in 1998 (see Gyawali and Koponen 2004). Only after an absence of almost a decade has Finland recently returned to forestry in Nepal.

This time the programme entails a somewhat softer approach, for example the IFAD Leasehold Forest and Livestock Development Programme has been directed to the most disadvantaged groups in the country. A multi-stakeholder project formulated together with Switzerland and the United Kingdom also includes a sizeable component on community forestry, accounting for almost half of its budget. However, the Finnish programme still relies on the adaptability of state-of-the-art technology. It is now funding and implementing a new forest inventory, employing highly advanced radar technology (LIDAR), the results of which will help to assess the impacts of the Finnish decision to leave Nepali forestry on its own. While this is expected to produce accurate national-level information, badly needed as a baseline for forest policies, carbon trade and the allocation of forest resources among the future states of a Federal Nepal, the pro-community forestry activists and researchers doubt its local usability and are worried by its implications of centralisation.

4.4 Learning curve in rural water

Another long-term traditional sector of development cooperation has been water, in particular the provision of household water in the rural areas, combined lately with increasing efforts at sanitation and hygiene. Cooperation in this sector has also been guided by the idea that Finland would have relevant expertise and experience to offer. Tapio Katko (2000) has argued that there may also be a 'Finnish model' at work here, based on cooperation between the public and private sectors. The

services are provided by publicly owned utilities that operate on a non-profit basis but adhere to commercial principles, with the benefit of the profit accruing to the consumers. The other major principle is that the services are supported by direct consumer payments, with low governmental subsidies. The third key principle has been to organise rural water supply through consumer-managed water cooperatives in smaller communities in sparsely populated areas (*vesiosuuskunnat*) (Katko 2000, p. 83). This is said to have led to a quality of service which probably can be found only in a few other countries. Nonetheless it has been difficult for us to trace the links between Finland's own excellence in developing the Finnish water supply and sanitation and the design of water projects in developing countries where Finland is involved in development activities.³⁰

It appears that, just as in the case of forest industries, in the early years of development cooperation the provision of household water was considered within the MFA to be a branch of engineering where Finland had something of 'real relevance' to give to developing countries. However, MFA also saw it as a sector in which Finnish enterprises urgently needed reference works, 'the lack of which seem[ed] to constitute a serious bottleneck in efforts to penetrate the international markets' (quotations from MFA officials, Koponen 2001, p. 24). The first opportunity to receive such a reference work was offered by the Mtwara-Lindi rural water supply programme in Tanzania in the early 1970s. This massive programme constructed a great number of water facilities most of which, however, sooner or later collapsed and left the landscape dotted with dry wells and taps and confused judgments of who was responsible for what. With scant and late community involvement, it became in many ways a benchmark of mistakes to be avoided for subsequent Finnish water projects elsewhere. When the Finns started to work in the rural water sector in Nepal in the 1980s, the approach was rather different: the interventions were much smaller and more focused, communities were engaged right from the beginning, and implementation was carried out by local contractors and authorities. Timely and active community involvement has increasingly come to be seen as the key to success; this approach has now been taken as far as it can go in the Ethiopian water and sanitation projects, with what is called the community development fund.

4.4.1 Mtwara-Lindi: a mission impossible?

The Mtwara-Lindi Rural Water Supply Project was a pioneering project with pioneering difficulties, undertaken by a company called Finnwater. Located in the remote South-eastern corner of Tanzania, it covered an area nearly twice the size of Denmark, and was to supply a population of almost two million. It went on for

³⁰ For Finnish developments, see also Juuti and Katko (eds.) 2007.

21 years with a high price tag, the total costs being FIM 178 million. As results, Finnwater presented impressive construction rates: some 2,300 shallow wells and 13 piped schemes were completed. But the reality behind the figures was much bleaker. Many of the water supply systems which had constructed functioned erratically from the start. Even in the heyday of the project, an occasional visitor to the area could come across dry wells and taps, or meet a constantly running tap which it was impossible to turn off. As long as the Finns with their imported resources were around, many problems could be solved through regular maintenance. Some problems were of a more persistent nature, however, and when Finland left the project many of the systems simply collapsed. A few years after the completion of the project, an educated guess was that the number of people actually within the reach of a reliable improved water supply was perhaps only half of those theoretically calculated from the production figures (Koponen 2001, p. 103). Since then, the decay has accelerated, and functioning water supply systems have become a rarity. Presently, for instance, of the 390 shallow wells constructed in the Lindi District, only 17 are known to work (estimate of the District Water Engineer, 3.11.2011). Water continues to be mentioned as the greatest problem by many if not most people one encounters in the villages. The incidence of child and maternal mortality in the regions, certainly not unrelated to water, remains the highest in Tanzania.

The defects of the Finnwater project have been discussed by several critical researchers, most recently by Rugumamu in his background study for this report (for more details, it should be consulted, together with Koponen 2001). Many problems have been found with the Finnwater project, but most of them are seen to originate in the top-down, exclusionary approach and attitude of the project. Finnwater claimed and gained what would now be called unrestrained ownership over the entire implementation and operation processes of the water development in both regions. The company established a cocoon-like project implementation unit in Mtwara town within which all key decisions were made and aid resources were channelled, with separate accounts, and the project's own stores, yards and vehicles. Tanzanians were exclusively confined to field staff and hired to do subordinate jobs (Vaa 1993). In the earliest phase of construction, the working language in the field was Finnish!

This meant that the project was effectively cut off from both the Maji, that is, the national and local water authorities with their policies and plans, as well from the needs and views of the water users, i.e. the local population. What little talk of community participation there was in the beginning was aimed at getting villagers to provide the labour for digging the wells. Even this was forgotten when the "villagisation" policy was energetically enforced in most of the area, and the Tanzanian

government inaugurated a 'crash programme' to provide each village with at least one reliable source of water in 1981. This meant further pressure on the rate of well construction. If voluntary labour was not forthcoming, the wells had to be dug by wage labour. It was only after the mid-1980s, following the shift to liberal market policies, that the role of the communities was taken more seriously. Even then the purpose of their inclusion was mainly to convince the villagers of the necessity of 'cost recovery', meaning payment for water. Not surprisingly, the people thought that they were dealing with 'Finnwater wells' rather than wells they owned themselves.

Neither can the quality and the choices of technology in the Finnwater project escape criticism. Rainwater harvesting, a locally preferred method and also recommended in the Tanzanian Third-Five Year Development Plan (1976-81) was precluded. Health reasons were cited, but it obviously was regarded as being far too simple a technology for a project like this to be engaged in. In the earliest plans, the bias was on piped water supplies but in practice shallow wells with hand pumps were soon preferred. Piped water was simply not a viable alternative after factoring in the cost for diesel oil, the (lack of) availability of spare parts, and the technical capacity implications. The early hand pump wells were constructed by mechanical means, first mainly by tractor excavators. This no doubt was an efficient way of completing them quickly, but the wells dug by excavators were all too often haphazardly located since they had to be reached by the roads passable by tractors, and they remained too shallow to retain water over the yearly dry spell. However some piped systems were also constructed or rehabilitated nonetheless. Much the largest of these was the one based on the Kitangari pumping station, designed to serve some 210,000 people living on the densely populated Makonde plateau. It has never been able to work with its full capacity, being restricted by problems in power generation, a treatment plant that is too small, and aging pipes, some of them originating from the colonial era. After the termination of the Finnwater project it became very difficult to procure spare parts for repairs. No wonder the Kitangari system has continued to work very erratically. Taps in the villages we visited in November 2011 had been dry for more than a year.

These problems are well-known and many lessons have been drawn from them, both in Finnish water and sanitation efforts elsewhere (as will be apparent in what follows below) and in the Tanzanian water policies where a very different approach has since been adopted. But as Finland completely exited the Tanzanian rural water sector after the Lindi-Mtwara debacle, the Finns and the Tanzanians have never properly tried to sit down together and think through to what extent the Mtwara-Lindi water project faced a mission impossible. The original objectives were highly ambitious even in technical terms. Even if it would have been possible,

with more resources, to construct a water supply system phys within easy reach of every household, it is now clear that to keeping the system working was not the kind of neat technical fix that both the Finns and the Tanzanian decision-makers at that time imagined. As the ujamaa state wanted to keep water a free commodity, there was originally no plan for cost recovery. The Finns soon realised its necessity, but it became possible only after Tanzania changed its policy course and swallowed the market medicine fed to it by the IMF and the World Bank. There was more to it than that: water provision was – and is – a complex social and cultural task for which the chosen parts were rather ill-equipped. Creating a reliable water supply would have been difficult enough even without the project's Finn-centred approach, which exacerbated the problems and is mainly responsible for the bitter memories still lingering in Tanzania.

On a more positive note, production and development of hand-pumps became one of the unexpected technology transfer initiatives of the early Finnish water and sanitation project. At first, various Finnish pumps designed for single-household private wells were tested and found to be too fragile for communal use. At the same time, relatively cheaper hand-pumps imported from India were considered unsuitable as they were low quality products with a high rate of breakage. As a result, a hand-pump joint venture company, Tanira Limited, was established in 1990 in Dar es Salaam between a Finnish manufacturer, Lojer Oy (originally Vammalan konepaja, 43% ownership), Finnfund (12%), and a Tanzanian investor, Palry Limited (45%). The AF-NIRA 85 hand-pump model was developed to suit the economic and technological requirements of African countries. It uses about 80% locally available raw materials (steel and plastic pipes) and imports small numbers of hand-pump components from Finland. Although the end of the Mtwara-Lindi project bereaved it of its best client, Tanira has remained in business, albeit with relatively low volumes.

In the Tanzanian water and sanitation sector, government policies and strategies have gradually sought to address the inadequacies of the previous decades. Instead of letting Finnwater, and other donor-funded private companies, make a profit by cutting costs through producing water systems as fast and as efficiently as possible with technology choices and under tight management controls of their own, development cooperation in the water sector now takes place within the framework of a sectoral programme. The 1991 and 2002 Tanzanian national water policies introduced a sector-wide approach to water development. The framework is underwritten by a common development approach that emphasises a government-led approach, and promotes integrated planning and financing mechanisms which are transparent, coherent, and acceptable to all stakeholders.

Although the water sector in Tanzania is still populated by a wide array of do-

nors, from the World Bank and major bilaterals such as Germany and Norway to Water Aid and other NGOs, the single sector policy and expenditure programme has gone a long way toward promoting coherence and consistency. Unlike the previous single project strategy, the sector-wide approach in water and sanitation development cooperation has deliberately sought to resolve the programme implementation problems of the basket funding approach through the institutionalisation of dialogue mechanisms between the government, development partners or donors, and domestic stakeholders at different levels. These are supported by joint monitoring and evaluation reviews that provide evidence-based implementation feedbacks. Equally significant, the new aid strategy has come to recognise the importance of incorporating commercial principles into water delivery models, by instituting realistic cost recovery strategies for all water consumers. As the sector wide approach is not a binding blueprint, the donors, reflecting the inescapable asymmetrical power relations and the absence of any enforcement system of donor commitments in the international aid regime, are moving toward coordination and harmonisation at their own desired pace. The modes of aid delivery are broadly 60% basket funding and 40% and project funding. The Finns have carefully stayed away from the more recent developments, except for an occasional well here and there dug by an NGO and other minor projects.

4.4.2 Nepal: from transfer of technology to transfer of values

The discouraging experiences of Finnish aid to the Tanzanian water sector in the 1970s and 1980s acquired such a reputation that they had to be recognised in succeeding Finnish interventions in the water sector elsewhere. In Nepal, Finland engaged in water sector cooperation only from the late 1980s. Even if the guiding principle was again the idea that Finnish resources in the water supply and sanitation sector were relatively strong and competitive, the approach was rather different. The substantiation of the understanding of the Finnish strengths had been stated in “*The Water Supply and Sanitation Sector in Finnish Development Cooperation: Decision in Principle*”³¹ brought out by Finnida in 1989, the same year that the Rural Water and Sanitation Project Phase came into operation in the Lumbini Zone in Nepal. However, contrary to the Tanzanian case, the Finnish competence in the water sector did not take the form of a heavy deployment of Finnish personnel and equipment. Instead, most of the technical assistance (TA) personnel in the project were Nepali professionals, with only one or two Finnish expatriates involved. The

³¹ *Vesihuolto- ja sanitaatioalan kehitysyhteistyön periaateohjelma*. Finnida 1989.

Finnish water programme in Nepal has furthermore evolved more and more towards community-based approaches.

Finland's support to the water supply and sanitation sector in Nepal has now spanned over two decades and includes support for six projects. From our research material on Finland's aid to the sector, a clear interpretation of FVA has come to the fore. In Nepal, the choice of this sector for development cooperation was motivated by the conviction that Finns could provide high quality and competitive services in the sector. It was an area where Finland was seen to have a comparative advantage, and where it could offer something that other donors could not (or were not interested in). As opposed to the Tanzanian case, this contribution could be made without heavy deployment of Finnish exports and technical assistance staff. In this case, the Finnish value-added appeared more as a set of values.

The first phase (1989-1995) of the Rural Water Supply and Sanitation Project (RWSSP) in Nepal was implemented in partnership with the Department for Water Supply and Sewerage (DWSS) in the Ministry of Housing and Physical Planning, with the project development objective of provision and promotion of safe, sustainable water supplies and improved sanitary facilities in accordance with national guidelines to 100,000 inhabitants in the Lumbini Zone of the western development region. The goal was to meet the needs of local communities and to develop the institutional and local capability to operate, manage, extend, upgrade, and maintain the water supply and sanitation systems provided, in order to improve health and economic activity in the project area. The first phase of RWSSP was completed in February 1996 and hailed in the Completion Report as an 'internationally successful' community based water supply and sanitation project.

In the preparation of the second phase of RWSSP, Finland wished to change its partner in Nepal from DWSS to the Ministry of Local Development (MLD). This change was based on charges of corrupt practices within the DWSS, and the principle of promoting both "good governance" and decentralisation. As a result, MLD was preferred as a partner; and a search was then initiated for adopting a strategy for bringing the funds closer to the people. It was believed that if the money were to come to the beneficiaries directly through a district water supply and sanitation fund, there would be less possibility of 'leakage' through corruption within the intermediary agencies. As a result of the new strategy, communities began to procure construction related materials as well as to bear a greater proportion of the cost. This approach became further institutionalised during Phase III, when funds were channelled directly to users and users began to sign cheques. The executive committee members administering the fund made the costs transparent to ordinary members through the General Assembly. This approach was further consolidated in the subsequent Rural Village Water Resources Management Project Phases I and

II, and in the Rural Water Supply and Sanitation Project in Western Region Phase I.

On this basis one could argue that the work of Finnish aid in the water supply and sanitation sector in Nepal was based more on a set of values than other considerations. The history of the cooperation, the transition from one project to the next, can easily be viewed as a movement towards local communities becoming the owners of the scheme and ensuring maximum accountability and transparency. Here this would represent the transfer of values promoted by Finland. However, another interpretation has also been provided. According to the views of the personnel of DWSS, the agency the Finns discarded, the change of partner was based on the fact that the new choice MLD had more limited resources, and as a weaker partner would be more amenable to domination by the donor.

In addition to accountability and transparency, a third value that could be interpreted from this case could be called persistence, perseverance or reliability (captured in the Finnish language by the word *sisu*). In stark contrast to what happened in the forestry sector, Finland has remained in the water sector for almost two decades, and maintained its support in Nepal even during the time the conflict climaxed and many donors were leaving the country (as has been the case in Nicaragua as well). Finland's value-based approach is also visible in Nepal in the way Finland gives importance to gender and social equality. This is apparent in Finnish TA's attempts at mainstreaming gender in the step-by-step approach in the various water supply and sanitation projects, as well as in the fact that the projects have supported water supply and sanitation in areas that have low human development index (HDI) or are operating in regions that are far from the capital and hence have low infrastructure development. This latter can be seen as a Finnish value of supporting social equality and supporting vulnerable groups.

4.4.3 Community Development Fund in Ethiopia: communities as cash managers

Community involvement in water projects has been taken a step further in the Community Development Fund (CDF) concept in Finnish-supported water projects in Ethiopia. CDF is increasingly mentioned as an innovative aid approach and as an example of Finnish value added of a new kind. It is argued to have wider applicability beyond these particular projects and has already been taken over by the Ethiopian government as one approach, or funding mechanism, in its national water, sanitation and hygiene (WASH) programme, although with a different name. UNICEF has also piloted CDF in some of its Ethiopian projects and expressed its interest in promoting CDF at the national level in countries like Ethiopia and Nepal. Here we appear to have a case where Finnish value added is not even indirectly

linked to Finnish material or intellectual interests, or to Finnish or European values, but directly represents a good practice created in a project sponsored by Finland.

A Community Development Fund (CDF) is in fact not a fund per se, but a funding mechanism, or 'a package of methods and funding mechanisms' for constructing community-managed water points. Its basic idea is that a project channels a substantial amount of its funds to the targeted local beneficiary communities through a financial intermediary. In this tripartite set-up, the community has a major role beginning in the implementation phase. The community makes the plans and selects implementers and even makes procurements. Thus, it is believed, the community will be motivated to be fully engaged and will gain the 'ownership' of the project or programme right from the start. This is expected to lead to an increase in aid effectiveness. In the Amhara region in Ethiopia, and in the neighbouring Benishangul-Gumuz region, it indeed seems to have led to a greatly increased rate of construction of water points and intensified use of investment funds.

The innovation here is of course not community involvement which, as noted above, has been all the rage in the aid business for the last 20 years or so, even if less so in Finnish aid. Rather the distinguishing features of CDF are two: first, considerable funding is directed to actual use by the local communities right from the start; and second, a financial intermediary is involved. Interestingly, even this approach is not entirely new, and it did not originate in Ethiopia. Something akin to it, without being called CDF, was first experimented with in Finnish-supported bilateral projects in Nepal: in the Rural Water Supply and Sanitation Project (RWSSP) in the Lumbini Zone, and in Far and Mid-Western Nepal, and RWSSP Phase I in the Western region. In all of these projects the funds of the Nepal government and Finland, which were kept in a common pool, were transferred directly to the users. From RWSSP Phase III onwards, local water user committees were responsible for implementing the scheme and directly procuring construction-related items. However, there was no financial intermediary involved. It appears that the idea was brought in embryo form to Ethiopia from Nepal and further elaborated there. There are now plans to re-export to Nepal as a fully-fledged CDF.

If this is so, it puts the obvious question of why such an 'acquired trait' has been able to work in one context and not in another. That being so, the determining influences should also perhaps be sought in the contexts and not only in the interventions alone. In this case the understanding of the context seems particularly shallow. It is known from experiences elsewhere that community-based approaches are often obstructed by the reluctance of the state authorities to transfer genuine power over resources to the communities. In Ethiopian CDF, the experience has been rather the contrary. After some initial hesitation, the water authorities have begun to actively support CDF and are now demanding more of it. But the way

CDF works in Ethiopia actually allocates a considerable amount of resources and influence over decision-making to the state authorities. This raises the intriguing question of whether this approach is something that can work only in the rather unique circumstances of post-1991 Ethiopia with its unusual combination of a developmental and neo-patrimonial state.

4.5 Conclusion: the importance of the human factor

The imposition of foreign technology on lukewarm recipients through aid is, of course, largely condemned and discarded now. The purpose of our revisiting these old cases has not been to revel in flogging a dead horse. Rather we have taken a long-term look at them both during and after the Finnish presence in order to make two points. The first of these is that, although it is widely recognised that the well-meaning and quite innocent early attempts of the Finns to combine developmentalist and instrumentalist viewpoints in practice resulted in such unsustainable endeavours, receptivity to this kind of thinking has not disappeared within the MFA, as evidenced by the policy shift triggered by the 2007 policy paper and the plethora of projects inspired by it. As noted in the 2012 Tanzania country evaluation, in that country the policy shift led to a “serious fragmentation of the country programme” (Caldecott, Valjas *et al.*, 2012, p. 22). The second point is to emphasise that even if the belief in the value of unrivalled Finnish technological expertise and know-how reigns unchallenged in the discourse, there have in fact been cases when it has been found wanting in practice. Even in our restricted material we have found the case of the East Usambara forest inventories and that of the technology used in Mtwara and Lindi to dig shallow wells. These were challenged in their day, but it took time before the criticism was acknowledged; and the gist of it was soon forgotten all over again in the broader discourse.

The early projects also serve as benchmarks against which later progress can be measured. The role of Finnish resources has greatly changed during this trajectory. Technical assistance staff have changed from being implementers into facilitators. The number of Finns and the volume of Finnish procurements has been minimised, or rather, was until 2007. Both in forestry and in household water supply, a major learning curve has taken place as projects moved from more high-tech and industrial approaches towards more community-driven ones, and from top-down towards bottom-up approaches and participatory ways of working. High-tech approaches have not completely disappeared, though, as can be seen in our case studies, for example the use of LIDAR laser mapping in the on-going forestry resource assessments in Nepal and Tanzania, and in many other high-tech projects not discussed in our report.

The recipient systems and the communication between partners and donors have also been much improved. In the early TA projects, few, if any, of the prerequisites for effective technology transfer were satisfied. These include: i) a robust policy and institutional framework; ii) professionally competent TA personnel, rigorous counterpart training programmes, and appropriate imported technology packages; iii) a critical mass of accumulated knowledge at a firm level; and iv) a commensurate level of institutional development on the recipient side. Now TA policies are in place (in Tanzania only since 2010). In general, the TA staff now in the field is much more professionally competent and works with a much more developmentalist mindset than those in the early projects. However, they continue to be extremely expensive to employ; and in the new aid architecture, their use has to be very carefully justified.

It is also illuminating to compare cases at the sectoral level in order to discover commonalities and differences, and possible reasons for these. In forestry cooperation both in Tanzania and in Nepal, Finland has attempted to exploit its own development experience by promoting ideas of the economic usability of forests, the use of up-to-date, preferably Finnish technology, and private ownership and planned use of forests. In Tanzania this model, in part or in whole, has informed a continuous Finnish presence of almost half a century. During this period, the targets and modalities of intervention have changed beyond recognition: from propping up an incipient state-owned forest industry, to the promotion of community and private forestry. In Nepal, the same model produced a bitter controversy over a proposed private venture to utilise Terai forests, and the subsequent withdrawal of all forestry aid from Nepal for a decade. In the rural water sector, a similar Finnish ideological background model is hard to find; it seems to be a more straightforward commercial-cum-developmental affair. Yet while in Tanzania the Finns left the water sector for good after they finished with their first and only major intervention in Mtwara and Lindi, in Nepal they have maintained a continuous presence for over 25 years. Why the differences?

Perseverance or reliability as a specific Finnish trait is obviously not very convincing as an overall explanation for differences in results, as is it has been applied so selectively to such different effect. Rather the human factor looms large here: some people are more persevering than others. In Nepal, it was a handful of determined Finnish officials who despite all apparent complications and objections first tried to impose what they thought was a revolutionary idea on the reluctant Nepalis; and who then convinced the MFA headquarters that if the Nepalis were foolish enough not to take advantage of such a good opportunity, they were not worthy of further Finnish aid. Another group of people runs the water projects, with the same people often transferring from one project to another. The right people in the

right place, or the wrong people in the wrong place, can thus make quite a difference. Nonetheless, as modern social theory teaches us, while social and political processes and structures are composed of human, and basically individual, actions, human individuals can only act within those processes, and within the limits and frameworks of the available structures. We will come back to these issues.

5. FINNISH VALUE ADDED AND THE PROMOTION OF VALUES

The historical analysis in previous chapters shows that in Finnish development cooperation policies a major turnaround occurred during the 1990s. What had begun as provision of technical expertise and hardware in packages supposedly applicable in differing political and social contexts, changed to the promotion of desirable policies and values underlying them. This is not to argue that values would not have been involved in Finnish development cooperation before the 1990s, or that they would have been the sole factor responsible for what happened afterwards. Development itself is an utterly value-based concept, and its promotion through development cooperation is one of the most value-based fields of state politics. However, both the values and the ways they are used have changed across time. The old modernisation ideals, always closely linked to what has been seen in Finland as the ‘right’ path to development, could be thought to be spread through transfer and diffusion of Finnish technology and expertise. The new values were different and had to be promoted head-on, directly. In practice the transfer was not quite so direct, since policy adherence to these values was uneven and had many lags. Some of these processes of change were traced above in the sectoral aid analysis. The implications for the transition from ‘technical’ towards ‘value-based’ aid are further explored in this and the following chapter.

The new values were brought into Finland’s development cooperation from two different sources which are to a great extent overlapping and partly identical. After Finland had been anchored to the West through the EU membership, and the West emerged triumphant in the Cold War, Finland also adopted the EU’s ‘soft power’ approach and the imperative of advocating what it proclaims are its common values. These, of course, are the values of global liberal capitalism, of which the principles of democracy, the rule of law, human rights, gender equality and the commitment to a market economy are most often mentioned. At same time, a new global development agenda was emerging, ostensibly formulated in big UN conferences but to a large extent spearheaded by the World Bank. The focus in this agenda was on poverty reduction, rather than on catching up through full-scale modernisation. Its founding assumption is that the main responsibility for their development lies with the poor countries themselves. It is the task of their leaders to adopt such policies and institutions that promote economic growth and a growth conducive environment in which private capital can work, created through ‘good governance’. In this process, things such as ‘empowerment’ and ‘social inclusion of the poor’, formerly seen as alternatives to the dominant models of economic development,

also became part of the mainstream development ideology following the World Bank's appropriation of the development agenda (World Bank & IMF 2004, p. 7). The foundation of the new agenda is a commitment to the market economy and capitalism, on both a national and an international scale. Whereas modernisation was assumed to be achievable through several means, including state-led socialism, the new consensus is unmistakably based on the belief of the developmental omnipotence of market forces.

In subsequent development cooperation declarations, many of these values curiously became characterised as particularly Finnish, either because they have backed up Finland's own development experience or marked the ways and modalities Finns behave or perform in development cooperation. One can ask how far this actually reflects the historical reality. No doubt many of these values have long and firm roots in the Finnish social mentality, but they have been understood as ideal types whose practical application takes different forms in different times and places, and the strength of adherence to which varies, depending on generation, gender and political preference. A great difference is that previously their promotion abroad was not part of Finnish foreign policy, including development policy, while since the late 1990s the global liberal agenda and the new mainstream development doctrine provided a bandwagon onto which the Finns wholeheartedly jumped, as best exemplified by the 2004 policy paper. Now the question, from the Finnish value-added point of view, is why would it would be particularly 'Finnish' to emphasise human rights, equality and democracy, let alone "volunteerism in nutrition, hygiene, health, disabled people, and egalitarian forms of social organisation" (quoted by i.a. Caldecott *et al.*, 2010, p. 85). Caldecott *et al.* claim that after they became the new basis for Finnish development cooperation, these values also provided a new definition of FVA as "a set of values more often expressed by Finns than by others" (*ibid*). However, this can hardly be taken as an established fact, but rather remains an assertion to be investigated.

The emergence and effects of value-based notions of FVA will be examined in this chapter by focusing on one broad topic, gender equality, which is discussed both at policy level with the focus on gender mainstreaming, and through a case study of Finnish support to sexual and reproductive health through women's organisations in Nicaragua. The reason for singling gender equality out as the key value to be further examined is that Finland undoubtedly is one of the countries in the world where gender equality is not only highly valued but also relatively advanced in practice. For this reason, gender equality has been considered as holding potential as a value in the definition of FVA in development cooperation although there are doubts on how it is working out on the ground. Gender equality also figures in the new 2012 implementation programme as one of the three cross-cutting

issue in all Finnish aid (the others being climate change adaptation, and reduction of economic and social inequality).

5.1 Gender equality – unrealised potential?

An intriguing contradiction guided our study here. Gender equality, understood both as an ideal and as a generic label for the diverse ways in which donors have promoted equality between men and women through development cooperation, was mentioned in many MFA policy documents and development cooperation reviews,³² as well as in our own interviews with MFA staff and different counterparts in Finland's long-term partner countries, as something in which Finland is believed to have 'long-term experience' or a 'comparative advantage'. However, the interviewees also pointed out that despite the 'right discourse' and perceived commitment, what Finland has been lacking is pragmatic leadership and resources to put this commitment into action. Previous researchers have argued that gender equality is among the values that do not substantially materialise in Finnish development cooperation practices in terms of resource allocations, strategic programmatic choices, or modalities of cooperation but "tend to remain as political manifestations of Finland's keen interest in the issues or an expression of concern in a particular situation" (Kääriä *et al.* 2008, p. 25, see also Caldecott *et al.* 2010).

This is corroborated by statistics, which indicate that over 60% of Finnish ODA disbursements do not show any gender-sensitivity (see Figure 5.1 below). Despite a long policy commitment, particularly pronounced after the Fourth UN Conference on Women in Beijing in 1995, Finland's development cooperation programmes and projects obviously are still run by different priorities, sidelining or diluting gender equality objectives. In MFA, as in other international donor agencies, gender commitments seem to 'evaporate' at the political, organisational and operational levels, undermining the potential of gender equality to become a value addition in Finland's development cooperation.

To address the question of whether or not gender equality can be stated as a specific Finnish value added in Finland's development cooperation, the focus of the case study was set on the identification of differences between rhetoric and reality, and on the reasons for the evaporation of Finland's international gender commitments in the operationalisation of Finland's development cooperation. The main question here is why it has been so hard to close the gap between the gender goals set in policy declarations, and the actual resources allocated to the achieve-

³² See i.a.: *Development policy*; MFA Gender Strategy and Action Plan 2003-2007; Caldecott J. *et al.* 2010, *Sustainability in Poverty Reduction: Synthesis Evaluation 2010*; Sala Tsegai, M. and U. Murray 2005, *Gender Baseline Study for Finnish Development Cooperation, Evaluation Report*; Saasa *et al.* 2003, *Improving the Effectiveness of Finnish Development Cooperation: Perspectives from the South*.

ment of these goals. To try to answer this question, a close examination was made of the factors behind the poor performance of gender mainstreaming as one of the main gender equality promotion strategies for Finland's development cooperation since the 2000s.

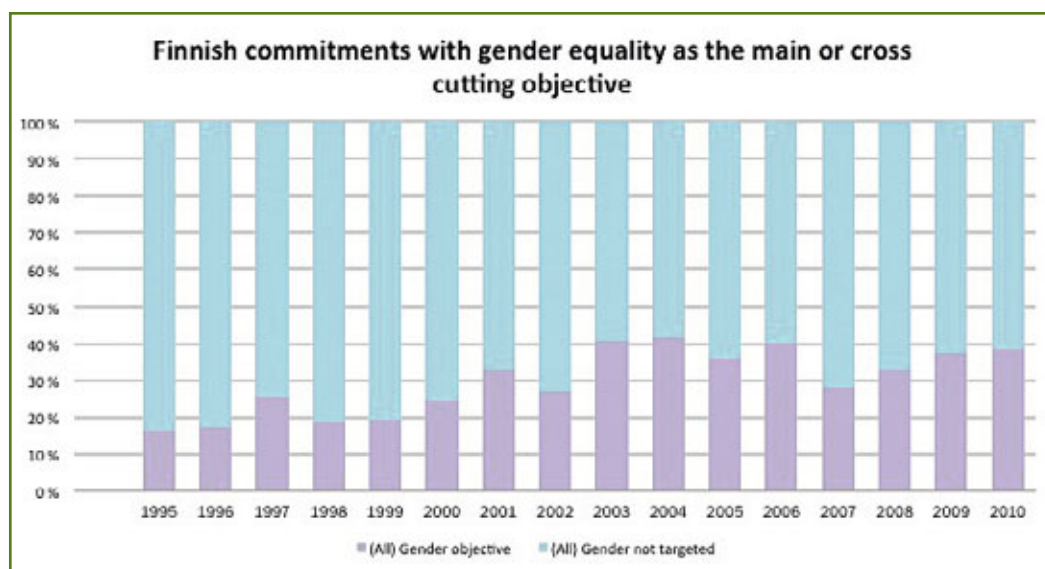


Figure 5.1: Finnish ODA commitments with a gender objective³³

Source: OECD/DAC CRS Database

5.1.1 Women or gender, goal or cross-cutting theme?

There are three main arenas in which gender equality has been advocated in Finnish development co-operation policies and practices. The oldest and in a sense the most prominent is the United Nations. Finland became widely recognised as a proponent of gender equality as early as the 1950s, through the ground-breaking work of a few highly visible women such as Helvi Sipilä. This feature of Finland's profile has been maintained by women activists such as Hilikka Pietilä, and more recently by influential female leaders such as Tarja Halonen, who was President of Finland from 2000 to 2012. From the UN, gender entered into Finland's bilateral cooperation. The aid harmonisation agenda has opened the way for the third and latest arena for gender work, Finland's cooperation with other EU donors in promoting gender equality through joint donor funding and policy dialogue mechanisms, and

³³ Both sector allocable and non-sector allocable aid are included here. Using only sector allocable statistics would give as much as 45% and 54% for aid with a gender objective, in 2009 and 2010, respectively (OECD 2012).

in creating new country level aid forums and instruments such as Joint Assessment Strategies and Performance Assessment Frameworks related to budgetary support³⁴. Across the decades, Finland's promotion of gender equality has taken many forms based on different assumptions. There has been a constant tension between approaches focusing on women and their special needs, and broader gender conceptions advocating the transformation of all gendered structures, which requires the involvement of men as well. A major issue has been whether it is even possible to 'mainstream' gender perspective in each and every cooperation activity, or is it necessary to run projects and other activities which specifically address women or gender, and can these two basic strategies be meaningfully combined.

Interestingly enough, the early Finnish/Nordic model for gender equality was not concerned so much with women *per se* but was more about sharing gender rights and responsibilities between men and women in a more egalitarian way. This latter was something that was almost forgotten in the field of development cooperation for years. The early Finnish gender equality advocates, influenced by Finland's own societal debate concerning gender equality, were considerably ahead of their time. People like Helvi Sipilä, Vice-President of the UN's Commission on the Status of Women in 1960-1972³⁵, advocated for practical application of key gender equality principles such as equal pay for equal work, even if the national legislation in these matters would still drag behind. For Sipilä, the achievement of gender equality required redistribution of responsibilities between the two sexes, for which it was important to 're-educate men' as well as women (Törnudd in Mickwitz *et al.* 2010, 148). In spite of these auspicious beginnings, promotion of gender equality was slow to arrive in the Finnish development cooperation agenda compared to many other, especially Nordic, donors. Multilateral gender equality enthusiasm somewhat cooled in the 1970s when women's right to vote – a major international theme in the 1960s – had been achieved in almost every country. This cooling off was reflected in the 1974 and 1978 development policy statements in which the 'women's issue' was not seen to hold much promise for the prevailing export offensive. The international push of a women's agenda as part of the UN's Year of Women 1975 and the subsequent Women's Decade in 1975-1985 was an important factor in allowing gender equality to work its way into Finland's development cooperation³⁶.

The shifts in the international discourses have always heavily influenced MFA's approaches in development cooperation. In Finland and elsewhere, the role of women in development was first conceptualised under the notion of *Women in De-*

³⁴ See e.g. European Commission 2010b.

³⁵ Even if her term as a Nordic representative in the Commission ran between 1960-1968, Helvi Sipilä still participated in the work of the Commission as per its request in 1970 and 1972, proposing e.g. the year 1975 as the International Year of Women.

³⁶ MFA formulated its own Women's Decade Programme (1979) and wrote a set of Principles for taking women's situation into account in Finnish development cooperation (1980). The category of 'improving the situation of women' entered MFA's budget in 1982.

velopment (WID) which regarded women as one homogeneous biosocial category which the process of modernisation had deprived of their previous productive functions and values. Consequently, women needed to be integrated, or reintegrated into development; this was done in practice through projects targeting women's immediate necessities such as water, shelter and food. During the monitoring conference of the Women's Decade, held in Nairobi in 1985, women's situation became increasingly not only a social but to a great extent also an economic issue. It was seen that women had to be part of the development processes designing and deciding on the objectives of these processes, instead of just being 'integrated' into them. In Finland's development cooperation as well, the focus shifted from social/welfare to economic/equality. Gender equality was thought to be best achieved through an 'integrated approach'. Specific women's projects should be limited in numbers. Instead, women should be "taken into consideration" in each project's preparation and evaluation³⁷.

In the 1990's, WID was challenged by the *Gender and Development* (GAD) approach. It saw that WID, by universalising 'womanhood', overlooked other personal identity attributes such as class, race, ethnicity, age, economic status, and so on. For the GAD advocates, the problem for women was not their exclusion from development processes, but the way these processes had been formulated and organised: they had not reorganised the existing gender system but had left it untouched. In addition to the practical needs of women, strategic gender needs or interests should also be addressed. Here, women were seen as agents of change rather than its victims or passive recipients who needed to organise themselves in order to have a more effective political voice. In the emerging Women and empowerment practices, gender equality was premised on a collective notion of women's empowerment, targeting in particular the poorest and the least privileged groups. The need to reorganise gender roles, which was an important feature in Finland's own gender equality debate throughout the 1960s and 1970s, has had considerable difficulties entering Finnish development cooperation. The concept 'gender' did replace 'women' in a series of MFA gender guidelines,³⁸ but the focus of these guidelines remained on ensuring the 'integration' of the gender dimension, which in practice meant 'women', into development projects and programmes³⁹. The need for changing existing gender roles was brought back into the picture in terms of *women's* differing roles and responsibilities, which instrumentalised gender equality for the 'greater good' of development. In practice, Finland for the most part

³⁷ *Naisten huomioonottaminen Suomen kehitysyhteistyössä*. Toimintaohjelma ja suuntaviivat. Ulkoasiainministeriö, kehitysyhteistyöosasto, 1988.

³⁸ *Project Preparation and Design Guidelines* (1990), *Rapid Gender Analysis* (1990), *Looking at Gender and Forestry* (1993), *Looking at Gender, Water Supply and Sanitation* (1994), *Looking at Gender, Agriculture and Rural Development* (1995).

³⁹ *Looking at Gender and Forestry*. Operational issues for Project Planners, Implementers and Administrators. Finnida 1993, p. 27.

continued the WID approach, but with a certain GAD flavour spicing it (Koponen 2005b).

The UN's Fourth World Conference on Women in Beijing in 1995 provided a new policy impetus for Finland to strengthen its endeavours for gender equity both nationally as well as abroad⁴⁰. Gender equality as a human right was introduced to the cooperation agenda, influenced by the work of the 1994 International Conference on Population and Development in Cairo to persuade governments to commit to the right of women to make decisions concerning their own bodies and sexualities. Beijing brought empowerment and gender mainstreaming strategies to the centre of the promotion of gender equity, in addition to addressing specific gaps or challenges in gender relations, under the so called 'dual strategy'. In postmodernist feminist thinking, gender relations were now linked to issues such as 'interests', 'allocation of resources' and 'power'. While the agency of women in transforming prevalent gender relations was to be reinforced through their empowerment, gender mainstreaming was the strategy for ensuring that the equity impact of legislations, policies and programmes – in all areas and at all levels – would be taken into account. After Beijing, gender equality became a recognised and permanent element in the Finnish development cooperation policy papers. It was first mentioned in the 1996 Decision-in-Principle as a “need to support women’s participation in social and economic activity.” Then it appeared in the 1998 Development Policy as one of the many interdependent factors affecting development alongside human rights, food security and the environment. Finally, in the 2001 MFA policy operationalisation strategy, the promotion of gender equality was accorded “a central role in all cooperation” (*Operationalisation of Development Policy Objectives*).

5.1.2 The rise and fall of gender mainstreaming in Finland's development cooperation

By the early 2000s, Finland had become a stronger advocate for women's/girls' rights and human rights in the UN than in its bilateral development work;⁴¹ and the Beijing commitments for the dual strategy were largely forgotten⁴². After the establishment of a full-time gender adviser position, a comprehensive MFA Strategy and Action Plan for Promoting Gender Equality was created in 2003.⁴³ This made the dual strategy, with gender mainstreaming as its main tool, the principal focus of gender equality promotion in Finland's development cooperation. This Strategy

⁴⁰ To implement the recommendations made in the conference, the Government of Finland prepared a gender equity programme to mainstream gender into all sectors of public management. STM 30.10.2002.

⁴¹ Interview of MFA Gender Advisor 2000-2005.

⁴² Ibid.

⁴³ *Strategy and Action Plan for Promoting Gender Equality in Finland's Policy for Developing Countries 2003-2007*. MFA, 2003.

and Action Plan was distributed to all the Finnish Embassies; and a number of MFA training sessions targeting consultant companies and Finnish NGOs further disseminated the document and its underlying concepts.

The 2004 Development Policy reinforced Finland's value-based cooperation agenda by establishing the topical issue of a human rights-based approach as the basis for Finland's development cooperation. The commitment to the promotion of the "rights and the status of women and girls", and the "promotion of gender and social equality" was placed in the category of 'cross-cutting themes/objectives', a trend also followed in the 2007 and 2012 white papers. While giving gender equality a permanent place in Finland's development policy pronouncements, the policies also managed to marginalise it by lumping gender equality issues together with a number of other cross-cutting objectives ranging from the inequality of ethnic minorities, children, disabled and indigenous people, to the environment (2004), and HIV/Aids (2007). Furthermore, whatever movement towards rights-based policies, and promotion of gender equality including women's rights, that managed to take place in practice was seriously undermined by the drastic change of policy focus to environmental and economic sustainability in the 2007 policy paper. According to our interviews, this change also damaged the systematic mainstreaming of gender into MFA's activities, since MFA's weak policy implementation machinery was harnessed to the implementation of the new political priorities. The situation does not look much better with the 2012 white paper which, in addition to returning to the rights-based approach, also brought into MFA's implementation agenda a number of new 'policy focus areas' such as a 'participatory and employment creating' green economy, sustainable management of natural resources, environmental protection, and promotion of democracy and human rights.

In the mid-2000s, a study on the status of gender mainstreaming confirmed that the attitudes of MFA officials and managers towards gender equality had become more positive at all levels, and there was strong support for the relevance of gender mainstreaming (Sala Tsegai and Murray, 2005). The changes in the gender equality approach, along with replacing the term 'women' with 'gender', as part of the mainstreaming agenda, together with the set of analytical gender tools, had made gender equality promotion a more technical and less vocational process, facilitating the institutional acceptance of the GAD approach in comparison with WID. However, the study noted that the relevance of the GAD approach was seriously undermined by inadequate financial and human resources allocated to gender, as well as by poor managerial accountability and the lack of follow-up of the Action Plan. "Gender mainstreaming is left... to a considerable extent, to the personal interest and good will of individual staff members" (*ibid.*, p. 6). An internal MFA study on gender resourcing in 2001-2007 pointed out the lack of impact of established

mainstreaming policies, showing that gender was mainstreamed in only 38% of the Finnish ODA disbursements, and only 2% of the disbursements for commitments in which it had been set as a main goal.⁴⁴ The 2008 evaluation of cross-cutting themes also complained about the lack of systematic planning, implementation and reporting of gender equality in line with the 2003-2007 Gender Equality Strategy and Action Plan. Good gender equality promotion activities and gender resourcing could be found in Finnish development cooperation with certain countries⁴⁵ while gender equality promotion was completely neglected in others.

Within the domain of policy dialogue, the same uneven performance seems to prevail. While the ‘gender card’ has been drawn surprisingly little by Finland itself in bilateral country consultations⁴⁶ or as part of joint donor-government dialogue, Finland was often mentioned in the country case study interviews as actively backing (more than leading) the inclusion of gender equality in the joint donor agenda. Within the multilateral domain Finland on the contrary continues to show leadership in including gender equality in certain initiatives. Lately, a particular emphasis has been put on the implementation of UN Security Council Resolution 1325 on “Women, Peace and Security”. Similar, though not quite as high-profile, activity has taken place around Resolution 1820 “Women and sexual violence in conflict and post-conflict situations.” These specific thematic gender initiatives, even if small and marginal, definitely constitute a value added Finland brings in to multilateral cooperation by providing visibility as well as concrete resources and measures to include gender perspective in themes where this perspective has been underrepresented or completely missing. Whether these themes are part of a more comprehensive or implicit ‘Finnish’ gender equality multilateral agenda, is harder to say, since the historic importance of the UN, and especially its women’s conferences, in providing a stimulus for the renewal of Finland’s international commitments, is fading. Currently the EU, with Finland’s active participation, is becoming a more consequential multilateral outside force for pushing for practical gender mainstreaming, e.g. through tools such as the Plan of Action on Gender Equality and Women’s Empowerment in Development Cooperation 2010-2015 (European Commission 2010b).

Even if the above mentioned ups and downs can be said to constitute only an

⁴⁴ *Tasa-arvo Suomen julkisen kahdenvälisen kehitysavun myönnöissä vuosina 2001-2006*. Sario, Malaty and Lassila, kehityspoliittinen osasto. MFA 2007, p. 3. The study covered all forms of bilateral cooperation disbursements including budget support, humanitarian aid and NGO cooperation.

⁴⁵ Mozambique, Nicaragua, Water and Sanitation sector in Nepal, etc.

⁴⁶ Our investigation of Finland-Nicaragua country consultation memos from 1980 until 2009 showed that only in one year – 1999 – a proper advocacy or dialogue was conducted on gender equality. Gender was often simply mentioned as a cross-cutting theme or in passing as part of discussions on specific gender programmes, but not as part of discussions on other sectoral programmes or government policies. Furthermore, in the replies to the gender baseline survey questionnaire in 2005, over half of the MFA officials indicated that gender issues are typically not included in such development dimensions as sectoral support, budgetary considerations, political deliberations and country negotiations (Baseline 2005, p. 6)

anecdotal and incomplete picture of Finnish performance in promotion of gender equality in Finland's development cooperation, the poor mainstreaming of gender equality which results is a fact, as the OECD/DAC statistics in 2010 (Figure 5.1) demonstrates. A major conundrum is: If everybody is so much in favour of the promotion of gender equality as they say they are, why should such failures persist? As one former MFA gender advisor put it: "We probably still don't know the real reasons why all these investments made for gender equality promotion end in nothing much."⁴⁷ In the aid discourse, practical measures are often proposed to fix systemic failures: creation of new gender strategies (Sala Tsegai and Murray 2005); setting up clearer and more accountable management and information systems (Kääriä *et al.* 2008); increasing the accountability on and monitoring of gender mainstreaming results (both); building staff capacities, training Embassies, increasing internal gender resources, etc. Even if more could and should always be done, it must be acknowledged that with the 10-year long active push of three consecutive full-time gender advisors, the setting up of a gender focal point system in Embassies, multiple training sessions, preparing guidelines, policy statements, giving advice and advocacy: quite a lot has already been done, to the point of counterproductive effects and signs of gender fatigue in the MFA. The problem deserves a deeper look at strategy as well as practicalities.

5.1.3 Shortcomings of gender mainstreaming behind policy evaporation

Finland's uneven performance in gender equality promotion is in line with findings from other international donor agencies. To be sure, after Beijing, gender mainstreaming policies were adapted amazingly fast not only by Finland but by dozens of states. Ten years after, the disappointing results of gender mainstreaming strategies in donor organisations had become quite apparent. Reviews and evaluations made in the mid-2000s showed a huge gap between policy commitments made at Beijing and actual implementation (see e.g. Hannan 2004, Moser and Moser 2005⁴⁸). A DAC Gender evaluation review noted that gender mainstreaming processes had focused on organisational processes and not on results (Hunt and Brouwers 2003). Indeed, very little is known of the results on the ground. In donor organisations, gender has become everyone's task and no one's responsibility after mainstreaming it. Gender equality promotion tasks have fallen upon individuals who are willing or appointed to take on the responsibility, gender focal points becoming marginalised

⁴⁷ Interview of MFA gender advisor 2005-2007.

⁴⁸ Hannan's (2004) review of UN agencies found that many had not even started using gender mainstreaming tools, and Moser and Moser's (2005) study of a mix of international development agencies (donors, UN agencies, NGOs) also found a lack of gender issues in key organisational documents guiding development cooperation implementation.

(Mehra and Gupta 2006). In the MFA, a large, persistent mainstreaming problem was perceived in the difficulties in making the constantly rotating or changing personnel aware and capable of applying gender mainstreaming principles and tools. The cross-cutting thematic evaluation points out that the resources of one individual gender adviser are mainly used for individual interventions and policy issues, and not for providing advice and support on mainstreaming (Kääriä *et al.* 2008, p. 28). In sum, the trajectory of Finnish gender equality mainstreaming performance seems to provide a model example of what some researchers have called ‘policy evaporation’, meaning that strong policy commitments made by donors on promoting gender equality somehow ‘dilutes’ on the way to the field, instead of translating into practices.

We would like to suggest that at least the following four major shortcomings in gender mainstreaming seem to contribute to the evaporation of gender commitments in Finnish development cooperation:

1. National political will to promote gender equality does not match the political will expressed in international fora

Paradoxically, considering the active promotion of gender equality in international cooperation at the top State level, the actual political will to promote gender equality has not been much manifested within the MFA during the 2000s. Amongst the MFA’s politically-elected ministers and top leadership, the dedication to gender equality has been more visible in international conferences than in national forums. The importance of reinforcing Finland’s international gender commitments by making specific political statements on gender equality has diminished in recent years, something which may be a sign of a growing national gender fatigue based both on the false assumption that as Finland has nationally achieved a relative state of gender equality – and signed all the major international gender commitments – there is no need to continue promoting it. The lack of political push and leadership for the operationalisation of Finland’s international gender commitments was often quoted by the MFA staff as one of the key causes why gender equality is paid lip service but is not really a practical priority in the hierarchically organised bureaucracy of Foreign Affairs.

2. Finland’s international gender commitments do not figure as particular priorities in the formulation of development cooperation white papers

A closer look at Finland’s development cooperation white papers reveals that the promotion of gender equality has never been an important policy item in its own right. After being granted “a central role in all cooperation” in the 2001 policy paper, the 2004,

2007 and 2012 white papers have decreased its importance by lumping gender equality or women's and girls' rights into the category of cross-cutting issues or objectives together with the promotion of many other issues. Even though all Finland's development cooperation white papers in the 2000s have been gender-sensitive, none of them give gender equality promotion any recognisable priority, along with the right to demand specific resources, among the other, competing cross-cutting themes.

3. MFA as a state bureaucracy fails to turn established gender policies into cooperation practices

The fact that the MFA staff members understand the significant relevance of gender mainstreaming, and have favourable attitudes towards it, does not prevent its evaporation at the practical implementation level, fits well with David Mosse's (2005) argument that policies and practices in development cooperation occupy two different worlds of their own, which follow their own logics. Policies, according to Mosse, are not even meant to guide the practical actions; rather they are used for their legitimation and justification to peer donors and taxpayers. This further raises the question of the relationship between a state bureaucracy and the political level of government, the main purpose of the former being the implementation of policies made by the latter. Bureaucracies obviously have underlying structures beneath the overt ones and can in many ways delay or even obstruct the implementation of policies they do not favour. There is no lack of guidelines and advisory support or management approval in the MFA which might impede the operationalisation of gender equality. The lack of accountability and follow-up measures, routine exclusion of gender issues in routine operations, the state of gender equality being an individual but not an organisational priority, are all well-known effects of organisational patterns of gender resistance in international cooperation agencies. The underlying reasons for this resistance in MFA's value-based organisational culture have not been addressed – or perhaps even acknowledged.

4. MFA's gender commitments are not reflected in MFA's organisational structures and processes

Finland's gender equality commitments evaporate not only in organisational implementation processes but also in the organisational structures of MFA which are used for defining budgets, resourcing people, allocating powers, and imposing which priorities are really implemented and which not. It is good to remember that the quest for mainstreaming comes to the MFA from both international and national gender equality commitments of the State which have created parallel – but not

fully complementary – gender mainstreaming efforts and processes within MFA. Finland has a public sector gender equality tradition of running separate planning and implementation processes for “functional” and “organisational” gender equality, the latter referring mainly to MFA’s non-co-operation related functions and structures and MFA’s responsibilities as a public sector employer. This has resulted in due fulfilment of the national equality laws but has meant MFA turned a blind-eye to mainstreaming the GAD gender perspective further into MFA’s organisational structures. Additionally, internal gender equality plans are not updated; and the gender equality working group has not been regularly convened⁴⁹. Furthermore, the current gender resources in MFA (e.g. Gender Equality Ambassador and Advisor posts) are not located in strategic spots within the MFA hierarchy, and do not have sufficient powers invested in them to really ensure structural changes in favour of mainstreaming a gender perspective into the MFA resource allocation and policy making processes.

5.1.4 Mainstreaming not leading to transformation

The evaporation of donor commitments has led many gender researchers to also look critically at the whole concept of mainstreaming, describing it as ‘the re-invention, restructuring, and re-branding of a key part of feminism in the contemporary era’ (Walby 2004, p. 2). The basic argument of this critique is related to the inherent tension claimed to exist between the pursuit of ‘gender equality’ vis-à-vis ‘gender mainstreaming’ in terms of aims, means and outcomes. In at least the short-term, the differences causing this tension are hard to reconcile. The dualism between the gender equality stance and the mainstream stance is sometimes expressed as the holding of two, conflicting, aims simultaneously: first, the promotion of ‘gender equality’ as a human right, or social justice as an end in its own right (Kabeer 1997); and second, ‘gender mainstreaming’ which makes mainstream development policies more effective in their own terms by the inclusion of a gender perspective (Walby 2004, p. 3). The adoption of a dual strategy in the Beijing Conference (‘do both’) does not merge the different agendas behind these two aims, even if there may be some points of overlap.

The conceptualisation of this dualism between gender equality and mainstreaming, either in terms of differing aims, strategies, and outcomes, or the way the success of these outcomes is defined, is central to all critiques on gender mainstreaming. One crucial contradiction – and the hardest to solve in practice – is the need for gender mainstreaming to be able to transform or reorient the nature of the

⁴⁹ A communication from MFA stated that the group has started to convene again in 2012, but the first meeting was held after the research for this study had been substantially completed.

mainstream itself in order to achieve gender equality. So far gender mainstreaming in practice still seems to follow WID's integrationist tactics by seeking to integrate gender issues into the mainstream development agendas, instead of aiming at the much more challenging task of "transforming the meaning of development from a gender perspective" (Kabeer and Subrahmanian 1996, p. 15). This might be the reason why gender mainstreaming practices often lead to 'adding women on' strategies, which lead further to the maintenance of the male bias in development thinking, planning and operating since it does not seek to question the mainstream methods guiding development. Such an integrationist approach, which is currently in use in most international cooperation agencies, is less political and more technical in nature. As such, it is less likely to be rejected, but it is also less likely to have any substantial impact on the gendered power relations of inequality that exist in all institutions, from the family to the market, a traditional gender inequality that is highly resistant to change (Tiessen 2007). The integration of gender into development policies is much easier to do than is resetting the mainstream policy agenda. The problem is that, after becoming 'constitutionally embedded' in new policies, gender equality often becomes 'comprehensively marginalised' (Shaw, in Walby 2004, p. 5).

While many gender mainstreaming practitioners are disillusioned with the way mainstreaming of gender equality has worked so far, others think the jury is still out. For example, Mehra and Gupta (2006) have argued that it may be too soon to pass judgment, since from the perspective of a development agency, the most critical element of mainstreaming, i.e. – mainstreaming in operations, has not yet been seriously pursued. Tiessen (2007) notes that reports on gender mainstreaming within development agencies tend to concentrate on technical solutions with little attention being paid to the political changes necessary for transforming the mainstream. Implementation has focused on internal organisational dimensions, such as staffing, policies, developing indicators, and training of all staff. These internal dimensions, which are often interpreted as preconditions or precursors to operationalisation of gender equality promotion in organisations, are easy to measure, but have only limited impact on the actual reduction of gender inequality (*ibid.*). The need to transform the development mainstream to include a gender equality perspective seems to have remained a rather academic objective; this may be perhaps because its translation into practical terms has not yet been seriously pursued by feminist researchers or gender equality practitioners. Instead, regarding gender equality both as a development goal and a human right is becoming the new mainstream approach for international development agencies that are claiming gender equality should be an irreducible *condition* for development⁵⁰. The rights-based

⁵⁰ *Empowered and Equal*. UNDP Gender Equality Strategy 2008-2011.

approach to development has made development agencies switch their gaze from their own organisations to the holders of rights: women, girls, boys, men, and LG-BTs – those who self-identify as lesbian, gay, bisexual and transgendered. In fact, financing for women's/gender rights has increased substantially in the late 2000s; these funds are increasingly channelled by donors through women's organisations as a means of politicising women's issues⁵¹.

5.2 Support to women's organisations in Nicaragua – an alternative?

The pros and cons of funding women's organisations can be investigated more closely in a case study from Nicaragua, where Finland together with other like-minded donors has been providing funds for women's organisations since 2005. In Nicaragua, the mere notion of gender equality has never been a conflict free zone, and is characterised by a high degree of politicisation. Issues such as women's rights, sex education, contraception, and reproductive health have always contained elements that are in sharp contradiction with the beliefs and values promoted by the more conservative circles of the society and by different religious groups, most prominently the Roman Catholic Church. Finnish development cooperation activities in the country have experienced many gender conflicts with the different Governments of Nicaragua (GoN) over the more than 10 years of joint work with the Nicaraguan Ministry of Health in Finnish-Nicaraguan bilateral programmes related to sexual and reproductive health (SRH)⁵². However, the difference between the former SRH programmes and the subsequent Finnish support to gender equality in Nicaragua is that the political tensions experienced between the Nicaraguan Ministry of Health and Finnish development cooperation authorities and workers never impeded reaching compromises on the practical operationalisation of SRH promotion. In stark contrast, the aggravated value-clash between President Ortega's second government and Finnish authorities in 2007-2009 resulted in drastic changes in Finland's funding support strategies, described in more detail in the recent Nicaraguan Country Programme Evaluation (Caldecott, Hawkes *et al.* 2012). As a result of these changes, Nicaraguan NGOs came to play a key role in promoting values such as good governance, democracy and transparency, areas in which donors and Ortega's government could not find common ground for cooperation. In

⁵¹ The most often mentioned example of the trend by donors to change the recipients of gender equality funding is the Netherlands' MDG3 Fund which invests in projects that promote equal rights and opportunities for women and girls. The Fund has distributed 70 million euros for projects in 99 countries between 2008 and 2011. However, AWID (Association for Women's Rights in Development) points out in two reports (Money Watch for Women's Rights and Organisations 2008; and Where is the Money for Women's Rights? 2008) that despite the increase in funds, the funding is still very unequally distributed and neglects many small, grass-root women's organisations.

⁵² Salud Reproductiva y Empoderamiento de la Mujer/Reproductive Health and Women's Empowerment, SAREM (1997-2003); and Programa de Salud Reproductiva, Equidad y Derechos/Reproductive Health, Equality and Rights Programme, SARED (2005-2008).

terms of gender equality, these changes culminated in the annulment of 'Finland's first technical assistance programme to focus exclusively on gender equality',⁵³ Pro-género, after 2-years of careful preparations and appraisals (2005-2007).

With the end of bilateral cooperation plans for this issue, the *Gender Equality and Development Fund (Fondo de Equidad y Desarrollo, FED)* became Finland's main channel of support to the promotion of gender equality⁵⁴. In 2008 a decision was made to continue and increase support to the former *Gender Equality and Sexual and Reproductive Rights Fund* pilot for 2009-2013. This fund had been established by the Finnish and Dutch Embassies in Nicaragua, together with UNFPA, in 2005; later on they were joined by a number of likeminded donors, some of them still on board today (like Norway) and some of them not (Sweden and Denmark). The goal of FED is to 'strengthen the capacities of the civil society to promote and advance gender equity and SRH rights of the Nicaraguan population.' FED is administrated with a help of a foreign NGO technical coordinator, but the final funding decisions are made by the donors.

As a funding modality, FED has been assessed by all parties concerned, participating donors and fund-receiving women's organisations alike, to work very well. Between 14 and 19 women's organisations receive multiannual funding for projects focusing on different aspects of gender equality, ranging from domestic violence to women's safe houses, and for advocacy for women's rights. Between 2006 and 2008, the total amount disbursed for these projects was around 3.8 million USD⁵⁵. FED also supports activities which are intended to enhance the capacities and mutual collaboration of women's organisations. As such, FED is a good example of a harmonised, joint donor initiative providing much needed funding to women's organisations working on diverse aspects of gender equality. However, the amounts involved are small and go to only a few groups. The majority of projects funded by FED can be criticised as targeting rather short-term, needs-oriented, gender equality interventions. Although FED is fully driving the sexual and reproductive health (SRH) car to the extent of neglecting almost all other aspects of gender equality, this does not mean that shifting funds from SRH to rights-based projects would bring them to the fore. Presently FED provides small but strategic funding for very specific sexual rights like those of the handicapped or sexual minorities. SRH as an entry point for gender equality in FED has become rather health-based than rights-based. This seems technical enough to cover immediate issues such as violence against women, but it leaves aside more sensitive (and politically challenging) issues in SRH, such as the rights of women to have control over their own bodies

⁵³ Interview of MFA gender adviser 2005-2007.

⁵⁴ In other bilateral and sectoral cooperation projects, gender was targeted through mainstreaming efforts, with varying results.

⁵⁵ Revisión de Medio Término del Período Piloto del FED, Fondo para la Equidad y los Derechos Sexuales y Reproductivos (FED). Informe Final; Clarity Abril 2008.

(not to mention their sexuality). The criminalisation of abortion even to save the life of the mother, which was done after Ortega began his second term in office in early 2007, created immense international and national protests from human rights and women's organisations and donors alike. Since then, this has become the number one issue on the women's rights agenda for feminist organisations in Nicaragua, although different women's organisations take different positions on the issue.

The separation and consequent fragmentation of the feminist movement began already during President Ortega's first term of office, and accelerated after the Sandinista party was defeated in the 1990 elections. Women organised in independent groups formed around their female leaders. As everything in the country was political, the feminist movement became politicised from the beginning: to support or not to support government of the day was always an issue. Women's organisations as well as other Nicaraguan NGOs continue to have a tenuous and largely antagonistic relationship with the government. Spaces for CSO-Government dialogue are either closed or loaded with political conflicts. An exact number of how many women's organisations there are in Nicaragua is not available, but the NGOs statistics indicate that there are over 3 800 women's NGOs working in Nicaragua, ranging from grassroots or local women's organisations and cooperatives to Managua-based or national feminist movements. Little cooperation exists between the different groups, with each claiming that they do not cooperate in order to safeguard their own interests. Generous donor funding has created a wide variety of NGOs in Nicaragua: their primary source of financial support is the funding acquired from the donors. – This support is now threatened by the global decrease in and competition for development cooperation funds.

From this perspective, providing small amounts of resources to a small number of NGOs in a national CSO field plagued with fragmentation and internal contradictions makes FED more a part of the problem than an answer to it. The way FED works may lead to further fragmentation of the Nicaraguan women's movement rather than its unification. Neither is FED actively creating spaces for dialogue with the government. True, a Government representative is invited to participate in the coordination committee as an observer, and someone from the government is always there participating as an observer, but this government observer is from the lower levels of GoN administration and has no real power or even interest in FED. Its more feminist critics also claim that FED is "Eurocentric", and does not take advantage of the experience and potential of the feminist movement in Latin America. With its focus on SRH, FED has failed to connect with other potential aspects of gender equality; it evidently needs to connect better with groups working on women's citizenship and the lack of justice for women (the 'male impunity' issue).

What the women's organisations evidently want from donors is a more inclu-

sive mainstreaming process, with the direct participation of women's groups as a "means for having a democratic and inclusive debate on what type of development people want/need, as well as ensuring the needed policy space for countries to implement it" (Schoenstein *et al.* 2011, p. 11). The current strategy of FED is not one of the joint participation and inclusion of representatives of the Nicaraguan women's movement to set the goals of FED and determine the lines of action to be taken. Perhaps the whole construction of FED would look different if that would have been the case. The planning would have taken a few years; but the results of FED could have been more uniting and less dividing. It is still not too late to change.

In sum, on the one hand FED is a good example of a new type of joint donor funding modality for promoting gender equality through national women's organisations. Instruments such as FED are important for donors as a means to change direction: they channel donor support to goals and efforts defined by the subjects of gender inequality, and not to those defined by donor gender policy concerns. FED's success is somewhat undermined by the fact that disbursement of funds is still ultimately guided by donor priorities, since the participation of the women's organisations in the formation of FED was limited. On the other hand, since in FED Finland's viewpoint is completely dominated by CSOs, the bigger gender picture has escaped from sight. Promotion of SRH is precluding a dialogue with the government and not helping to create public spaces for advocacy, which would allow advancing on issues which would otherwise be open for dialogue. At the same time, Finland is not using its own government-to-government position to construct bridges between the CSOs and the Government either. This makes FED an exceptional case: Finland, together with other donors with an equal basis in values approaches, is funding a selected part of Nicaraguan civil society that targets certain aspects of gender equality, aspects that at times put these CSOs in direct opposition to their own government. However, at the same time, this funding does not actively and publicly target gender equality issues in other aid sectors, nor is it being used for high-level policy dialogue with the GoN.

5.3 Conclusion: value promotion is not a technical task but a political one

The main conclusion to be drawn is that gender equality, despite being praised as potential and even actual Finnish value added, has played a rather marginal role both in Finland's development policies and other declarations, and in actual aid efforts. In contrast, Finland has been quite vocal on the topic of gender equality in international forums and in multilateral development cooperation. So far, gender

mainstreaming has been understood as a major means to promote gender equality within bilateral development cooperation, while the promotion of gender equality as a women's rights issue has dominated Finland's multilateral agenda. Gender mainstreaming has been considered a technical exercise carried out within Finnish public administration. The more complex and contested issues included in gender mainstreaming as a strategy, or even as a transformative goal of Finnish development cooperation policies, have not been identified or addressed; and consequently, they have not been tackled. As a result, Finland's gender equality promotion strategies seem quite scattered and are producing very uneven results in the three identified gender work domains.

Our case study from Nicaragua shows what kind of unexpected difficulties even long-term sustained efforts at gender equality may meet with when the political realities on the ground change. Directing bilateral support only to women's organisations in complex political situations is not a solution either, and too often the need to 'strengthen civil society' remains a donor buzzword that is invoked when the partner government is becoming difficult to deal with. Less contested examples come from Nepal, for example, where the gender equality work has been able to advance within normal bilateral channels in spite of adverse political circumstances, since the actors have been able to cope with the changes (see White 2011). However, an overall look at the practical implications of the Finnish quest for gender equality, in terms of strategic choices, resource allocations, development practices, and ways of interacting and negotiating with development partners, is one way to grasp the intangible and make it tangible. We cannot but agree with the Cross-Cutting Evaluation: Finland does not seem to have any particularly *Finnish* value they have added as regards cross-cutting themes. "Finland has long experience with some of them, for instance gender equality, but so do other likeminded development partners, the EU and UN agencies" (Kääriä *et al.* 2008, p. 70).

Gender equality is a good example of the problems of value added that Finland has encountered in its endeavours in more value-based aid. Despite high political visibility and correct policies in place, the resources devoted to gender equality have not matched the rhetoric. Much of what has been undertaken has originated from outside and been inspired by the Resolutions of the UN's large women's conferences and international developmentalist manifestos. Actions are also undertaken based on diffuse ideas of Finland as the pioneer of women's political rights, rather than from a careful analysis of Finland's own GE experiences and their potential applicability in other contexts. Within efforts at gender mainstreaming, 'policy evaporation' has taken place. Gender mainstreaming has become everybody's task and nobody's responsibility.

The reasons for the underperformance have been sought from such things as

the thinness of political commitment and the focus of discussions in donor organisations on donor policies, processes and structures, rather than a focus on the actual outcomes of these policies on the ground. All of these factors have no doubt played their part. Nonetheless, there are severe theoretical problems related to gender equality and gender mainstreaming, which suggest that the promotion of gender equality as a right, or as a transformative mainstreaming goal, is a more complicated and, above all, more political task than was understood in the early 2000s. At that time, a new set of gender commitments and analytical tools seemed to pave the way for a smooth, technical implementation process. The evidence of policy evaporation and the above mentioned theoretical discussion suggest that, besides being everyone's task, promotion of gender equality demands quite a lot of expertise to analyse and address the different problems related to carrying out this task. Another contradiction in gender mainstreaming concerns its very essence when that mainstreaming is implemented by actors normally involved in the development business. Gender mainstreaming tends to prioritise a set of tools, such as gender analysis, gender budgeting, gender disaggregated data/statistics and gender impact assessments. The question of mainstreaming then becomes one of resources, including the acquirement of the expertise required to do the job (Walby 2004, p. 15).

It has been suggested that the roots of the underperformance problem may be sought in the possibility that, despite their apparent critical edge, neither development thinking nor most of the feminist approaches and their gender analyses adequately capture the driving forces and dominating features of the actual gender systems of developing countries (cf. Koponen 2005b). A certain way of looking at gender has become part of the developmentalist thinking, and the developmentalist complex tends to produce self-serving 'analyses' and quick fixes based on them. Both it and the various types of feminism operate with imported ideological perceptions which take gender inequality at face value without properly analysing its forms. In feminist research, the formerly cherished idea of the 'Third World woman' as internally free of contradictions, a monolithic subject, dominated by the male gender, may have been largely replaced by the new understanding of the diversity of overlapping gender, class and identity markers. A search for '*pragmatic feminism*' providing a unifying bond has started amongst the feminists in developing countries (see e.g. Kabeer 2008, p. 270). However, in much of general (Western) development discourse, 'women' continue to be either reduced to powerless victims or empowered with agency as industrious peasants or brave everyday heroines; they still do not appear as truly social, historically changing human beings with their own socially defined special characteristics, existing in differing, gendered, social contexts.

Having said all this, we do acknowledge that Finnish development cooperation definitely has the potential for making gender equality promotion part of its value addition. Nevertheless care must be taken that a particular cultural or political interpretation of the broad principle will not unquestioningly be raised above the others. We do not believe that the gender experiences of Finland or any other donor could simply be transferred as is to entirely different, exotic contexts. In the Nordic countries, gender equality processes were based on the resources of the welfare state, and on the legislation which provided the needed prerequisites (see Kabeer *et al.* 2008). Different structures maintain gender inequality in each country. They can be tackled only by carefully analysing both the workings of existing gender systems and the potential impacts of the means provided by the prevailing developmentalist and feminist discourses. It is of utmost importance to have a realistic perception of the time needed; these are issues that will hardly be resolved during the stay in power of one or two Finnish governments.

What has been said here about gender equality also applies to the promotion of other values of liberal capitalism: they are ideals that may be broadly accepted in Finland and other donor countries, yet they, and in particular their implementation, are politically contested issues which cannot be resolved by seemingly apolitical and 'technical' means. Questions such as the relationship between the state and the market, the individual and society, and political and social rights, are the core stuff of politics. People legitimately hold differing views on these matters, and on differing lines of thinking emerge, wane and re-emerge. Different times and circumstances require different solutions, solutions which can only be agreed upon in the political processes of the countries and states concerned. In the world of the 21st century the individual states can no longer stick to absolute sovereignty, but neither can the donors impose their preferred solutions onto the recipients. Donors can only be participants in the discussion. If Finland has failed to make full advocacy to the government on the same issues it is supporting via FED, it can be argued to have outsourced the political aspects of promotion of gender equality to Nicaraguan NGOs. This makes it appear as if Finland itself would have no clear views on the subject, or the political will to take a stand. According to peers and other stakeholders interviewed, Finland's role in FED has been that of 'going with the flow', with no proper vision on gender equality to promote. Finland has the "right discourse but is lacking leadership" as noted in cooperation evaluations and counterpart interviews. Now, when Finland and other key gender donors are leaving or have already left Nicaragua, the importance of mechanisms supporting inclusive gender equality promotion and owned by the Nicaraguan rights-holders themselves, like FED at its best, is only going to increase. What will happen to funding for initiatives such as FED, not only in Nicaragua but in Finland's develop-

ment cooperation in general, can be taken in future as one indicator showing the path Finland's promotion of gender equality could take.

6. FINNISH VALUE-ADDED AS AN 'ACQUIRED TRAIT'

Now we turn to another way of understanding Finnish value (FVA) added: a contribution that stems less from any essential 'Finnishness', in whatever way that is defined, but from the way the individual Finns work in a certain context, with all their collective and individual expertise and skills and values, the sum total of how they make resources available and enter into differing constellations with the partners and other donors. It is obvious that the Finns share many elements of their expertise or their value base with other donors, and there is a great deal of varied competence in many sectors in the partner countries as well. Neither do all the Finns always think and act in unison. It is a vexing question to which extent any observed qualities of people depend on the individuals, and to which extent on culture, and which culture, national, ethnic, class, or gender, is the determinant. In what has come to be called the 'new aid architecture', the partner government's 'ownership' is the key demand; and donors are expected to align and harmonise their efforts under the partner government's ownership. That is, the recipient government draws up a plan or strategy, alone or together with the donors, investigates who among the available donors would be best suited to which task, and assigns tasks accordingly. Although, as will be evident below, it does not always work like this, in such a configuration any offers of donor 'value-added' cannot be assumed to be self-evident and imposed; rather, they need to be negotiated. This would chime with the idea of a more general value addition mentioned at the beginning: to bring in something that is inherently valuable to the partner as such and not tied to any qualities or characteristics of the donor. In practical terms, we will discuss this type of added value by way of looking at the aid system's efforts in the donor division of labour, especially in Tanzania and Nicaragua, and the place and contribution of Finland in them.

6.1 Donor division of labour: donor-led framework

The concepts of 'division of labour' and 'complementarity' have come to assume an integral and central part in the discourse of aid reforms and aid effectiveness. The well-known tendency of donors to concentrate on the same set of countries and the same sectors is commonly recognised to lead to significant administrative burdens and high transaction costs. Some countries, on the other hand, are almost ignored by major donors; and some sectors are much less favoured than the oth-

ers. The idea and practice of division of labour and complementarity seek to tackle these problems by limiting the number of active donors per country or per sector. Further, this division of labour seeks to guide a donor's choice of partner countries and/or sectors. The OECD Working Party on Aid Effectiveness defines 'division of labour' as "streamlining and coordinating donors' assistance, for example, by reducing the number of active donors in each sector, area or topic, or by reducing the number of sectors, areas or topics focused on by one donor in a given partner country" (OECD 2009). It is noted that the real value of aid is radically reduced when there are too many donors engaged in multiple, similar activities. This concept of the division of labour goes beyond revision of financing requisites, administrative procedures and joint missions. It essentially aims at assigning each donor limited geographical and sectoral coverage, thereby reducing duplication and increasing efficiency.

On the basis of the Paris Declaration, some donors have signed up to their own division of labour guidelines, the most detailed of which is the EU's non-binding *Code of Conduct on Complementarity and Division of Labour in Development Policy* (European Commission 2007). This EU Code of Conduct counsels the EU and other donors to participate in areas where they have a comparative advantage, and distinguishes three levels of complementarity. First, *in-country complementarity* involves the concentration of EU donors by limiting each EU Member State to focusing on only two sectors in each partner country, while each sector should not receive aid from more than five EU donors. Apart from these two sectors, donors can provide budget support for, and finance programmes related to, civil society, research and education. Second, the cross-country *division of labour* seeks to rationalise the deployment of donors at the international level, and addresses the issue of 'aid orphan countries'. Third, *cross-sector complementarity* involves the reallocation of funds on the basis of the thematic specialisation of donors. This EU Code of Conduct is also concerned with the division of labour among EU actors, between the EU as represented by the Commission and the Member States. The Commission's contribution is seen in terms of added value: in addition to its role as a donor, the Commission is expected to add value in developing strategic policies, promoting development best practices, and in facilitating coordination and harmonisation. The establishment of a lead donor is encouraged: this is an arrangement in which donors empower one of themselves with the responsibility for coordination of the rest in the sector concerned in a given country. Another recommended arrangement is delegated cooperation/partnership, through which a single donor has the power to act on behalf of the rest. Donors are also to designate a limited number of priority countries for each donor through dialogue within the EU, and to grant adequate funding to countries which have been overlooked so far.

Ideally, recipient country governments are expected to lead the aid reform process. They have to solicit ideas through questionnaires on individual donors' comparative advantages, and identify the donor roles. As numerous examples demonstrate, however, developing countries have been reluctant to provide directions to donors or express their views, either for diplomatic reasons or simply for fear that this would lead to reduced levels of aid. For example, when in 2005-06 Uganda made a serious attempt to take the lead, the exercise received little donor enthusiasm and support. A donor's willingness to play a lead sector role was not only determined by the comparative advantage, but most importantly, by the donor's strategic interests (AFRODAD 2007). This is the crux of the power asymmetry between aid donors and aid recipients. As the monitoring of the EU fast track initiative notes, donor division of labour continues to be a process which is promoted by donors. Most partner governments may approve a process initiated by donors, but only rarely do the partners take an active role in steering the process. In countries where the EU Code of Conduct has been the starting point and major vehicle of the division of labour process, non-EU donors, especially the multilaterals, do show limited interest in it (Buercky and Knill 2009). Recipients also show differences in their interest in steering the process of division of labour, as the following case studies of Tanzania and Nicaragua will illustrate.

6.2 Aid architecture in Tanzania

Tanzania is commonly counted among the countries where the aid effectiveness agenda and donor division of labour have progressed furthest, and where the Government (GoT) has in the last decade or so assumed a considerable degree of ownership and leadership in managing development cooperation, although complications have lately entered into the relationship. GoT leadership has been evidenced in an enhanced level of understanding of issues, especially at the Tanzanian Ministry of Finance and Economic Affairs, which has been forward in providing coherence and guidance to sector ministries. More noteworthy, this Ministry has been consistent in asking donors to be committed to national development priorities, as well as in naming and shaming the laggards. However, it is clear that the level of policy ownership is much lower in sector ministries as well as in local governments. On the other hand, the Parliament of Tanzania has taken a more active role in the policy process, and in the evaluation of results. The Parliament is no longer content to rubberstamp budgets without engaging in debates on various aspects of national development policies.

Progress is said to have been made in terms of leadership in developing the national development framework, starting with the National Development Vision 2025, Pov-

erty Reduction Strategy (PRS), which lead to three National Strategies for Growth and the Reduction of Poverty (known as Mkukuta), the Tanzania Assistance Strategy (TAS), and the Joint Assistance Strategy for Tanzania. (JAST). The journey from the first PRS to the second and third (Mkukuta II and III) is said to demonstrate a quantum leap in institutional learning. Compared to the first PRS, the second was clearer, more consultative and participative; and the third followed suit in 2010. Mkukuta is not organised according to a sectoral logic advocated by the donors, but instead is divided into three clusters of intended outputs: 1. growth and reduction of income poverty; 2. quality of life and social well-being; and 3. good governance and improvement of quality of life. In drafting the Mkukutas, the civil society, private sector and donors had a better opportunity to make their respective inputs to the document: the resulting strategic development plan puts much more emphasis on the private sector. However, the new Tanzanian five-year development plan (2011/12 to 2015/16), put forward by the Planning Commission in June 2011, appears to be largely home-grown in its modernisation drive although it is not clear how it was drafted. The plan, entitled “*Unleashing Tanzania’s latent growth potentials*” prioritises agriculture, industry, transport, energy, ICT and human resources to realise targets that include e.g. increasing average income to \$650 by 2016 from the current \$545, and increasing the value of the country’s exports to 23% of the GDP. The most troubling question is the extent to which the plans and on-going government policies reflect genuine national development priorities, and what these priorities actually are.

6.2.1 Expectations and disillusion with general budget support

A more or less elaborate plan notwithstanding, a main preoccupation of GoT in development cooperation has been aid – its volume and modalities. Of the three major modalities (general budget support, project aid, and basket funds) GoT strongly promotes the use of general budget support (GBS). This modality was introduced in Tanzania in 2001, replacing the Multilateral Debt Fund, as well as the earlier balance of payment support and debt relief mechanisms utilised in particular by the World Bank. Presently, the main attraction of GBS is no doubt the feeling of ownership it brings, since it gives GoT a great deal of leeway in the use of the external resources. Arguably, it also requires substantial improvements in the control over the utilisation and allocation of the funds. As Table 6.1 below shows, Tanzania has witnessed a significant shift in the relative proportion of aid funding through the GBS. This shift marks a radical departure from previous aid arrangements, which relied either on project-based aid or on forms of programme aid tied to ex-ante

conditions. Budget support is provided in the form of Poverty Reduction Budget support from eight bilateral donors and the European Commission, a Poverty Reduction Support Credit from the World Bank, and Structural Adjustment Loans from the African Development Bank.

Year	2002 /2003	2003 /2004	2004 /2005	2005 /2006	2006 /2007	2007 /2008	2008 /2009	2009 /2010	2010 /2011
GBS	30	38	34	38	42	38	36	50	35
Basket	16	18	21	20	16	12	18	17	21
Project	54	44	45	42	41	51	46	33	45
Total	100	100	100	100	100	100	100	100	100*

Table 6.1: Modality of Aid as a Percentage of Total Aid to Tanzania 2002/03 to 2010/011

**The figures for 2010/2011 add mathematically up to 101 since the percentages were rounded off to the nearest percent.*

Source: Tanzanian Ministry of Finance and Economic Affairs

In principle, this is a major change, and an improvement over the previous situation in which there were no reliable systems in place for transparent and flexible planning and management of aid resources. Previously, the modality of aid to sectoral ministries ended up as a collection of 'discrete projects – each marching to the procedural tunes, reimbursement schedules and measured objectives of different donors' (Honadle and Rosengard 1983, p. 300). After the introduction of GBS most of the GoT authorities interviewed claimed that the GBS modality had reduced GoT's transaction costs and increased aid effectiveness by strengthening national systems (including sector review processes, financial management, accounting, auditing, procurement and M&E). In addition, GBS is said to encourage greater attention to cross-sector linkages such as the impact of water availability on health and education outcomes. Furthermore, the predictability of the inflow of funds is also said to have improved, at least until recently, and there has been greater reliance on GoT systems for administering aid. However, parallel systems and procedures for delivering, managing, monitoring and evaluating development assistance, as well as multiple missions, meetings and analytical studies, are felt to have remained burdensome for GoT. That can also be seen from the fact that project aid continues to account for between over a third to nearly half of the total.

Not only have many donors continued to support projects outside the GoT budget, but enthusiasm for GBS and the policy dialogue machinery surrounding it has considerably waned during the last couple of years, both on the donor and arguably also the Tanzanian side. The previous expansion of budget support has now become a steep contraction. Two of the original GBS donors, Netherlands

and Switzerland, have completely withdrawn from this modality, and many donors have reduced their GBS contributions. The funds earmarked for GBS have been drastically cut. It should be noted, however, that there are severe discrepancies between the figures gathered from the Tanzanian Ministry of Finance and those from the 'development partners',⁵⁶ as donors are called in Tanzania, but it appears that whereas the level of GBS some two years ago was around one billion USD, in this financial year 2011-12 Tanzania can expect to receive roughly half of that, 453 million dollars (EU Delegation to Tanzania, 14.12.2011). This must be a wake-up call even for the most naïve of Tanzania's policy managers about the dangers of aid dependence. The donors have grown tired of the sluggishness with which economic growth is turning, or not turning, into poverty reduction. Donors are also becoming impatient with the slow pace at which most major reform programmes are progressing, as well as with the softness with which a few recent high-visibility corruption scandals have been dealt with by GoT. But GoT also seems to be getting frustrated with the endless demands the complicated and burdensome policy dialogue network machinery is placing on them, and is attracted by the more straightforward way of doing business and the increasing resources being made available by emerging donors such as China, India, Brazil, and even Russia.

6.2.2 Dialogue structure and Finland's place in it

The machinery for policy dialogue that has grown up in Tanzania during the years of harmonisation and alignment is elaborate indeed – both on paper and in practice. In theory, it consists of a huge government-led network which integrates otherwise separate negotiation processes for General Budget Support, the Joint Programming Strategy, the Public Expenditure Review, and Mkukuta. Work is undertaken at four different levels: 1. Joint Sector and Thematic Working Groups; 2. Cluster Working Groups; 3. MKUKUTA-Public Expenditure Review; and 4. the Joint Coordinating Group. A key tool in the dialogue is the joint monitoring machinery, called the performance assessment framework (PAF), in which GoT and the donors operate together. The PAF monitors developments across sectors, and across such broad themes as good governance, anti-corruption, poverty, and so on. PAF is used to determine whether the progress has been 'satisfactory' or not. On this basis, each year the donors announce their commitments to GoT about their respective budget support, and these figures are used in preparing the GoT budget.

Much of the work, both in theory and practice, takes place in the working

⁵⁶ The Tanzanian Ministry of Finance gives 822 million USD as the planned figure for GBS and 928 USD as the actual amount for 2010/11, while the information from the donor side varies between 523 and 531 million USD planned. See DPG (Development Partners Group) Tanzania, <http://www.tzdpdg.or.tz/external/aid-modalities/budget-support/general-budget-support.html>

groups which represent the lowest level in the dialogue structure. In these working groups, donor experts meet with a few lower-level government representatives. The working groups follow the Mkukuta clusters as regards the policies and strategies of particular sectors (agriculture, education, etc.), or what are called thematic areas (governance, gender, etc.). NGOs may also be invited to participate. Cluster working groups bring in issues related to GBS, and involve more NGOs and others that are called domestic stakeholders. The work of these myriad groups and processes is summed up by the Mkukuta-PER (Public Expenditure Review) main group; and the Joint Coordinating Group is the apex of the structure. The latter conducts overarching development policy discussions, as well as seeing to the alignment of the donors' programmes, projects and budget support. The Joint Coordinating Group includes as members the Permanent Secretaries from GoT and the donor Heads of Cooperation. Their work is complemented by an informal forum dialogue, the Development Cooperation Forum, chaired by the GoT Chief Secretary and attended by a select number of donor representatives at the Ambassador level.

This arrangement has been in place since 2009. It replaced an old dialogue system which was said to involve 'overlapping agendas, schedules and memberships without clear selection criteria as well as weak and unclear inter-linkages'⁵⁷. The Tanzanian Treasury also drafted a matrix showing in which sectors which donor should be in which role: whether as a lead, or an active participant, or as contributing donors delegating their representation to others. Whether the present framework works any better is difficult to say, but certainly one hears many complaints about it. In practice, the GBS negotiation process, though in theory integrated into the big picture, retains a considerable degree of autonomy. There is a separate GBS group for the donors engaged in budget support, chaired by the Tanzanian Ministry for Finance and Economic Affairs. This separate GBS group works both at the technical level, with Embassy economists as representatives, and the political level, with Heads of Missions or Heads of Cooperation as representatives. It has power over the other processes because it is where the money talks. In addition to common activities, the donors have a dialogue machinery of their own. They have organized a Development Partners Group, with 21 members, and run more than 30 working groups of their own. These are often more active than the ordinary government-donor working groups.

In practice these arrangements entail a heavy schedule of meetings to which various government ministries and donor embassies and other 'stakeholders' should send their representatives. To gain a more guaranteed influence over the process, one should assume the position of the chair or co-chair of a group, a task which requires a great deal of commitment and extra effort. All parties complain about

⁵⁷ Tanzania 200, Proposed PER/Mkukuta Dialogue Structure, p. 1.

the frequency of the meetings and the amount of working time going into them; donors and NGOs also criticise the haphazard way many of them are organised. As the NGO representative said at the Annual Policy Dialogue in 2010, the “CSOs find the current Mkukuta/PER/GBS dialogue structure too heavy and require a lot of human and time resources just to keep up”⁵⁸. The Tanzanian participants, coming from a consensual ‘listen first’ discussion culture, sometimes feel crowded out by vocal donor representatives (Rweyemamu 2009, p. 21). The feeling is growing that the overall results from the meeting jamboree do not quite match the efforts. In contrast, public expenditure management systems have been considered a success story. They obviously improved from the late 1990s to mid-2000s but this progress seems now to have stalled. The Performance Assessment Framework (PAF) is widely seen as having outlived its usefulness. It takes place at a high aggregate level and does not really affect allocations within the budget.

Finnish aid has been part and parcel of these developments while they have been evolving. Finland is an old donor to Tanzania, present in the country since the early 1960s. It has faithfully supported Tanzanian policies, first during the Afrosocialist *ujamaa* period up until the mid-1980s, and then the IMF/World Bank induced liberal market reforms. Tanzania continues to be Finland’s main development partner, although the aid funds were cut drastically during the recession in the early 1990s and have never totally returned to their former heights (see Figure 6.1 below). In the beginning Finland’s aid to Tanzania was entirely project-based, but programme aid was introduced in the 1990s and expanded incrementally. Budget support was begun in a cautious way in 2001, and during the last few years has stabilised at the level of 15 million Euros. This accounts for roughly half of all Finnish aid to Tanzania. This amount is now going to be reduced, both because of the newly established upper limit of 25% to budget support in the total Finnish aid to any country, introduced under the previous Finnish government, and also because of the restructuring of the large Finnish-Tanzanian aid programmes back into basically project mode. In addition to GBS and some programme support to forestry and local government, Finland’s aid now consists of diverse project based interventions ranging from an institute for “leadership for sustainable development” to promotion of innovation in information and communication technology (ICT). and a high-tech fix for distribution of electricity in the Dar es Salaam grid. Despite the reduction, for the last few years the Finnish input into Tanzania in the form of GBS has been, by Finnish standards, quite considerable, placing Finland in a middle category among the GBS donors.

Despite this apparent commitment to GBS, Finland has kept a fairly low profile

⁵⁸ Kulaba, Moses. Statement of CSO Representatives at the Opening of the Annual National Policy Dialogue, Blue Pearl Hotel, Dar es Salaam, 2.12.2010.

in the dialogue machinery at the highest levels. Individual Finnish ambassadors have naturally participated in discussions and raised issues e.g. related to corruption, but Finland has never taken the Chair of the GBS group in Tanzania, whereas countries like Denmark and Norway have had that task twice, and Finland itself took the Chair once in neighbouring Mozambique. The position of Vice-Chair of the Development Partners' Group is the highest a Finnish representative has had in Tanzania. Instead the Dar es Salaam Embassy has targeted its resources to certain sectors considered particularly important to Finnish interests. The major sector targeted has been forestry, as was explained in Chapter 4 above. At some stage, Finland appeared in the organisational charts of the Tanzanian MoFED as the lead donor in forestry, although this seems now outdated. Presently the forestry advisor of the Finnish Embassy is the Vice-Chair of the development partners' natural resource management group, which is largely responsible for forestry. The main problem here has been the fragmentation of the forestry sector as an administrative entity. So many forest-related activities take place outside the purview of the Forestry and Beekeeping Division of the Ministry of Natural Resources and Tourism, that harmonisation and the alignment logic do not really apply. Nonetheless, it seems that at least in regard to the promotion of private sector involvement, the Finnish efforts have borne fruit. Other sectors where Finns have been active include Local Government reforms where Finnish advisors have been Vice-Chairs.

An obvious constraint keeping the Finnish Embassy in Dar es Salaam from effectively participating in the dialogue machinery in Tanzania has been its relatively limited size. With three diplomats, three advisors and three locally recruited staff, it is by no means among the smallest of the Finnish delegations abroad; but in relation to the tasks it is expected to undertake in Tanzania, and compared with e.g. the other Nordic embassies, it is thinly staffed indeed. Its local expertise has further thinned during the last years when even the so-called local recruitments have been Finns, arguably because of the language and other requirements of expanding project work. Often the Finnish Embassy has to send fairly junior representatives to important meetings. In addition problems have also been created by the hierarchical structures and the heavily Helsinki-centred decision-making machinery of the MFA. Although the embassies have been given more discretion in the use of some funds, all major decisions have to be submitted to Helsinki. This is an obstacle preventing smooth cooperation with the government and other donors on the ground, which may be further aggravated if there are differences in preferred policy lines between the Embassy and headquarters, or among the embassy staff.

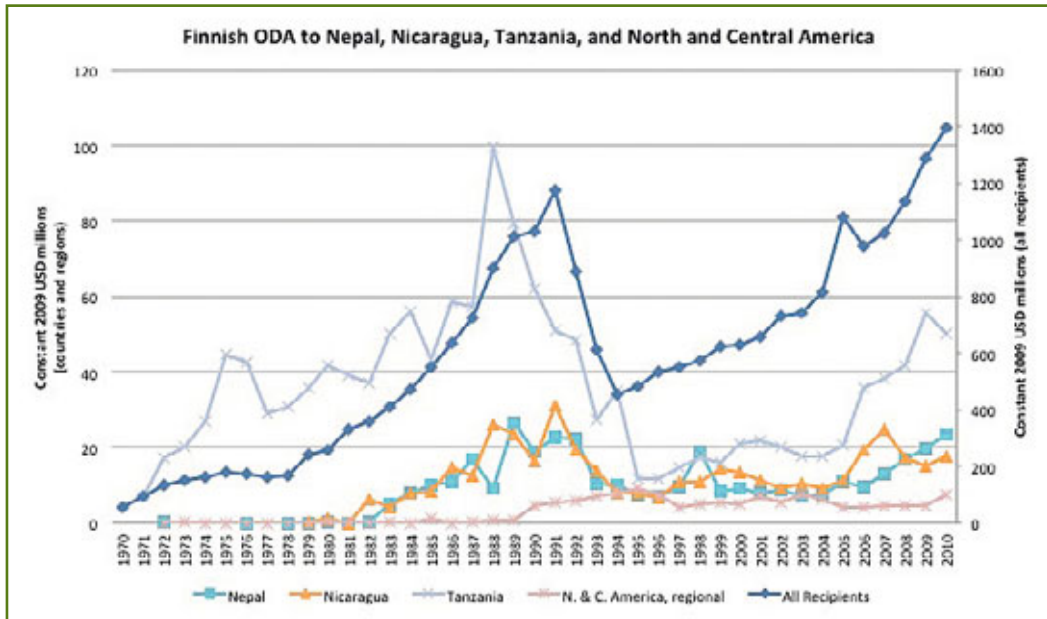


Figure 6.1: Finnish ODA to Nepal, Nicaragua, Tanzania and the North and Central America Region

Source: OECD/DAC QWIDS database

6.3 Nicaragua under Ortega II: Clash of values and the many faces of Finland

If the government-donor relationship is growing more strained in Tanzania, nonetheless the dialogue structure is in place and the final outcome is not yet evident. In Nicaragua, relations were more than just strained between 2008-2010, when an open clash occurred between the second Sandinista government of Daniel Ortega and the western donors, resulting in the decline and even closure of much of the dialogue. Finland for some time avoided taking sides. It kept its presence in the country and even did some mediating work between the donors and the government of Nicaragua (GoN) in the field of rural development. However, Finland's funding modalities underwent a thorough change. In the fields of governance and gender, Finnish funding was shifted to NGOs, some of which were in open opposition to the government. Now Finland has officially announced it will follow the example of the other Nordic countries and terminate its official aid in Nicaragua at the end of 2012, although it will continue supporting e.g. NGOs working in the country. This is an interesting case, foreshadowing the implementation of the 2012 development policy as the clash in Nicaragua was very much based on different

readings of developmental values.

The recent history of Nicaragua may be summarised in five political and socio-economic periods starting with the Sandinista revolution in 1979 and ending with Ortega's second term as President, from 2007⁵⁹ onwards. International cooperation has experienced profound changes in its relations with Nicaragua between 1980 and 2012. During the three decades following the Sandinista revolution in 1979, the social and economic policies of GoN have evolved from those of a period of revolution and civil war (1980s) and the post war re-settlement of the rural population (1990-1995) to poverty reduction (1996-2000) and the 'cluster' and private sector competitiveness policies (2001-2006), and finally to the emphasis in Ortega's second term in office on the poorest social sectors and on rural organisations (2007-2011⁶⁰). International cooperation has continually been strongly present in Nicaragua and has evolved through different paradigms. In fact, looking at the mainstream development paradigms of international cooperation, one can see the affinity between the political projects carried out by Nicaraguan governments and the development projects of the international donor community, up until 2007, when the return of the Sandinista government to power radically changed the picture.

Nicaragua's particular history has made it a country of strong political interest to Nordic donors, who found it very attractive as a partner country. In fact, Nicaragua has been a long-term partner country with Finland since 1980, providing an entry point to Finnish regional cooperation in Central America. Finnish aid, however, has never constituted more than 4% of the total ODA received by Nicaragua, and aid flows to Nicaragua from Finland have fallen in recent years and are now some 10 million Euro. The transformation of Finnish engagement in international development cooperation from more technical to more value-based assistance has been very visible in Nicaragua. As Figure 6.2 illustrates, Finnish aid has followed its own particular trajectory until the mid-2000s, when it began to follow the declining trend in ODA of other donors. After working mainly in large sectoral programmes in dairy development, agriculture and environment (plus forestry in Central America) during the 1980s and 1990s, in the late 1990s more value-based cooperation emerged aimed at enhancing the sexual and reproductive health of women, institutional capacity building, and local governance projects. The sectoral programmes did not come to an end, but, in rural development programmes for example there was a clear shift in programme modalities, emphasising a set of strategic development and political values instead of the transfer of Finnish expertise and know-how.

⁵⁹ Elected in late 2006.

⁶⁰ In November 2011, Ortega was re-elected for his third presidential term, for 2012-2016.



Figure 6.2: Comparison of ODA trends of Finland and other donors in Nicaragua in 1990-2010.

Source: OECD/DAC QWIDS database

The early Finnish support to Nicaragua, as elsewhere, was characterised by single projects, which in the case of Nicaragua were closely related to development credits, used in tying aid to Finnish exports to Nicaragua (paper, industrial machinery for forestry and dairy production, Wärtsilä generators, hospital and meteorological equipment, milk powder, Sisu lorries, drilling equipment, etc.), accompanied with grant components for the provision of Finnish technical assistance in equipment installation and maintenance. From a Nicaraguan point of view, Finland's value addition lay mainly in its alignment with Nordic policies and actions, even if Finland's practical cooperation activities were mainly guided by Finland's own political and commercial interests. As the recent Country Programme Evaluation points out, even the procurements made with Finnish development credits probably served as welcome injections of goods and services into national markets during the years of a lack of almost everything (Caldecott, van Sluijs, *et al.*, 2012, p. 50), although GoN soon announced a preference for grants over credits due to the increasing national foreign debt. Beginning in the 1990s, technology transfer and export-led projects gradually

Box 1. Evolution of Nicaragua's political context (1979-2011)

1979-1990: Revolution; international solidarity
 1990-1995: Post war country recovery; ESAF
 1996-2000: Poverty and clientelism; ERCERP
 2001-2006: Competitiveness & decentralisation;
 Cluster; SWAP approaches
 2007-: Redistribution; food crisis and climate change;
 ALBA cooperation

gave way to more comprehensive rural development projects and the regional forestry programme Procafor (1992-2003).

As a new set of poverty reduction oriented, development policy declarations emerged in the 1990s, Finnish aid became more professional – but also more technical. The previous decade had shown that aid and politics did not match well together: the Revolution as a political project had failed in the ballot boxes despite the enthusiasm of donors in supporting it. This is where one of the great paradoxes of Nicaraguan cooperation starts to take shape. Even if international – and Finnish – cooperation to Nicaragua started as a gesture of support for the revolutionary government's political and economic projects, the political connotations now became a burden, a bad fit with the basic technocratic idea of aid as an apolitical, ahistorical and non-contextual economic and technical development tool (see Ferguson 1994). The new, more value-based cooperation policy formulations in the 1990s, based on the UN's Global Agenda, and joint European donor values began to influence the Finnish agenda in Nicaragua, although real change only came about in the 2000s.

During the early years of this century, the development of the poverty and partnership agenda, and the adoption of Paris Declaration in 2005, substantially changed the relationship between the Government of Nicaragua (GoN) and international donors as the previous policy dialogue, with a mainly macroeconomic focus, now included poverty reduction and governance issues, paving the way to General Budget Support (GBS). As the Finnish-Nicaraguan Country Programme Evaluation states, “up to and including 2006 Nicaragua was considered a model of international cooperation [and] a pilot for the application of Paris Declaration principles” (Caldecott, van Sluijs *et al.*, 2012, p. 39). Despite some friction between Nicaragua and the donor community in general, during president Bolaños' term (2001-2006) the Finnish-Nicaraguan relationships were very warm. Annual bilateral consultation memos claimed ‘friendship and sympathy’ and noted that Finland and Nicaragua shared common values like ‘democracy, human rights and good government’.⁶¹ Finland even played a leadership role within the ‘budget support donor group’ until 2008.

6.3.1 Clash of values between donors and the government of Nicaragua

The Paris Declaration brought back to the fore the idea that partner governments should have strong leadership. While this was considered by all parties to be a

⁶¹ Final minutes from the annual bilateral consultations between the Government of the Republic of Nicaragua and the Government of the Republic of Finland. 19.-21. November. 2002. MFA.

great step forward in theory, the case of Nicaragua shows what contradictions it in practice entailed: a clash of values occurred. From the Nicaraguan perspective, it appeared that the notion of ownership the donors have is very selective: the donors themselves want to define the policy they wish the government to 'own' and if this does not work they go to what they understand as 'civil society'. The Sandinista government in power since 2007 had another set of values, which they saw also being followed elsewhere in the world (e.g. BRICs). The Sandinistas said they favoured poverty reduction, but not by forgetting the redistribution of wealth to the poorest; and they wanted economic growth, but through state intervention in the economy. For them, civil society did not mean the foreign-funded NGOs, but the local grassroots organisations, in particular the cooperatives dealing with the production, processing and trading of agricultural products, and the CPCs, Councils of Citizen Power (*Consejos de Poder Ciudadano*), local level organisations created by the government itself. From the Sandinista point of view, governance meant supporting the poor population, and increasing the state capacity to intervene strongly in that direction, enhancing cooperatives and CPCs to become truly representative civil society organisations. The Sandinistas saw that they fully agreed with the Paris Declaration and demanded that the donors should practice what they themselves were preaching.

Donors led by the US Embassy were suspicious of the agenda of the former revolutionary government from the beginning. When the Ortega government was found to have been involved in election fraud in 40 municipalities during the 2008 municipal elections, the relationship of the US with Nicaragua became one of open political mistrust. The donor-GoN crisis was aggravated by the harsh rhetoric of GoN which emphasised the need to end Nicaragua's aid dependency and 'nationalise' aid. GoN began to search for alternative South-South ALBA cooperation funding, such as that acquired through Venezuelan Petrocaribe arrangements (which are run through the national budget). The situation was not helped by the concentration of power in Ortega's personal cabinet (breach of good governance) together with the 2009 decision of the Supreme Court of Justice of Nicaragua to allow second, consecutive, presidential terms in Nicaragua. The result was intense donor-government hostility in 2008-2010. Paradoxically, GoN linked its call for 'nationalisation of aid' to the Paris Declaration, declaring that it was only claiming the rights that belonged to it based on the rules of the Declaration. The issues of gender equality, discussed above in Chapter 5, also played a major part in this value clash.

At the onset of this clash, sectoral aid modalities went into crisis, and the spaces in donor-government policy dialogue were reduced or closed down. When GoN tried to reformulate state policies from the Sandinista perspective, it hired and fired high-level officials in different state institutions, and apparently fought to unify

dissension within its own ranks of mixed leftist positions. At the same time GoN maintained that no external (usually of foreign or regional origin) advisers were needed in sectoral programmes, but that these could be replaced by ex-military officers with little sectoral experience. The mutual mistrust between donors and the polemic and politically incoherent government increased, and press statements and rhetoric replaced the former policy dialogue channels between the agitated donors and GoN. The value clash also became an information war fought heavily in the media inside the country and abroad. When a 2009 survey ordered by GoN showed that reduction of extreme poverty had taken place, it was widely discredited in donor circles, even if it apparently had been undertaken in accordance with World Bank standards.

6.3.2 Many faces of Finland

In this atmosphere of mutual mistrust, individual donors have followed different strategies. Some, like Sweden, the Netherlands, the UK (DFID) and most recently Norway have left the country since 2008, although some funding may still trickle in. Other countries, such as Germany, are cutting their aid while the big IFIs continue business as usual. The aid withdrawal has been given very political interpretations, although the exit of most of the departing donors has been announced in due time and done under organised exit strategies⁶². The official reasons given usually mention the improved economic situation in Nicaragua and the worsening one in Europe, Africa becoming a priority, and other changes in regional focus, or the increased amount of South-South funding flowing from ALBA-countries, mainly but not exclusively from Venezuela. Finland has announced that it will stay until the end of 2012 and exit then.

Meanwhile Finland has taken different courses of action in different sectors. In the fields of governance and gender, all joint or planned Nicaraguan bilateral programmes are being closed down and no efforts at policy dialogue take place. Finnish support to these sectors has reverted to NGOs which are considered representatives of civil society. Some of the bilaterally funded NGOs are well known for their open political antagonism towards GoN. In rural development, however, the story is different. There Finland has played a more constructive role as a mediator between the donors and GoN.

When things were very tense between the large donors and the new Sandinista Government in 2008-2010, a small donor group managed to maintain the dialogue with the government in the field of rural development. Instead of taking care of only its own relations, Finland was working actively within this small group to

⁶² With the exception of Norway, whose administrative decision to lead its Central American development cooperation from Guatemala instead of Nicaragua came as a surprise to Managua.

change the donor-government relations in the whole sector, giving up their first lane privileges and taking other donors on board.

6.3.3 Policy dialogue in the rural development sector in Nicaragua

Finland, together with Denmark, Norway, Sweden and Switzerland supported joint sectoral basket funding in the field of rural development between 2006-2009 under the Prorural initiative. After Sweden and Denmark pulled out, the rural development staff in the Finnish Embassy in Managua together with Norway and Switzerland continued to stress the importance of the sectoral aid modalities, even though they received little political support from Helsinki in the era of differing development policy priorities in 2007-2011. Although financially representing only 10% of the total funding available from all donors for the rural development sector, the basket funding provided by this small donor group was much favoured by the Sandinista government due to its flexibility. Non-earmarked funding enabled GoN to fill its own priority gaps and to prepare rural development programmes to be financed by large multilaterals and development banks.⁶³ Through the basket funding, this multidonor pool became a minority shareholder in almost all rural development programmes implemented in Nicaragua, which also gave them a good overview of the problems and challenges being experienced by GoN in this field⁶⁴. The dialogue in this reduced donor-government group was more practically oriented and more effective in its meetings. Soon Finland, Norway and Switzerland were being called by others as 'business class' donors for their privileged relations with GoN.

There had been wider coordination mechanisms established under the Sector Wide Approach programme (SWAP), but they had worked poorly. The Finnish Embassy took the initiative and proposed to its donor colleagues in 2009 that it would give up its privileged position and use the good dialogue experiences gained to help make the larger rural development donor group function properly with GoN. It took a year of constant work to reorganise the donor coordination and strengthen the cooperation and coordination between this group and GoN. Especially important was to get the World Bank, GTZ, and the European Commission on board since they were the largest rural development sector funders. After the leadership of the larger group rotated to the Swiss in 2010, donor-government relations started to improve. The Basket Funding group's separate coordination mechanisms were integrated into the larger group of rural development donors, under which three thematic working groups were established. The Finns took the lead in sectoral

⁶³ Memorandum from the Finnish Embassy to MFA Helsinki 13.8.2010/MGU7060-83.

⁶⁴ Memorandum from the Finnish Embassy to MFA Helsinki 19.5.2010/MGU7060-48.

budgeting, managing to negotiate through a joint rural sector Public Expenditure analysis: this was considered a major victory in an atmosphere of accusations by others of GoN's lack of budgetary transparency and accountability.

The result of the persistent negotiations and advocacy of this small group of donors (Norway having left Nicaragua was replaced in the group by Canada) was a renewed national sectoral programme and its management, reorganised under the President himself through a 'production cabinet' consisting of all rural sector institutions and actors in state government. GoN now wanted to use the rural development sectoral programme as a framework for all sectoral contributions, and encouraged all donors to align their support according to this programme. Switzerland is planning to expand the lessons learned in this group to support the formation of similar sectoral cooperation models in its other cooperation countries in Central America (first in Honduras). Even if still faced with challenges, it is a first attempt to create a functioning model by which separate bilateral programmes, the World Bank and EU funding are all pooled under the same sectoral strategy, in line with the Paris Declaration. While other donors still continue with their bilateral projects, Switzerland, Finland and Canada maintain their funding pool with the addition of other donors such as Spain and Austria joining the pool.

When donor-government tension eased somewhat in 2010, the Finns found themselves in a remarkable position in rural development, leading the whole sector through a multidonor dialogue structure which also includes big multilaterals such as the World Bank (WB). Finland was coordinating the rural sector Public Expenditure analysis with GoN, technically this was run by the WB but in effect it was led by GoN itself, an achievement of continuous dialogue. It was surprising to many that GoN was willing to open its books to donors in such a strategic sector.

The reasons why the policy dialogue could be maintained in the field of rural development, but e.g. not in the field of governance or gender equality, is often sought in the more political or value-laden nature of the good governance sector or the field of gender equality. In the case of good governance, however, this cannot be the major explanatory factor since for the Sandinista government the rural development sector has had much more political value than e.g. local governance. The conflict in local governance is more related to the efforts of Ortega's Cabinet to bypass the local democracy and centralise the state power in the hands of their party, process similar to that which also took place in the government rural development institutions. The differential impact of the value-clash between donors and GoN provides an interesting set of lessons learned from the Finnish-Nicaraguan cooperation during the value-clash crisis.

What might also have been a factor in play is that Finland had solid experience in rural development in Nicaragua through its own field programmes. Implemented

mainly in one geographical area, in the departments of Boaco and Chontales, these Finnish programmes seem to have completed a circle or spiral during their 20 years of existence. The approaches have changed from one project to another. The beginning was in 1990 with Prodega,⁶⁵ which was based on a value chain approach in which producers were organised to form cooperatives for the production and marketing of dairy milk products. However, as its contribution in terms of poverty reduction, environmental sustainability, and democratic processes was found to be weak, Fomevidas⁶⁶ was established to promote poverty reduction, based on a sustainable livelihood approach employing a multidimensional concept of poverty. At the same time, democracy and local governance issues were tackled in the same geographical departments through programmes like Progestión⁶⁷. The latest project, Propemce⁶⁸ has to some extent closed the circle started with Prodega by trying to facilitate the movement of the producers up the value chain. A main difference is that while Prodega intervened in an 'empty' space with no other organisations in it, Propemce now faces the challenge of many competing organisations.

The assessment of the effects and impacts of these rural development programmes has been mixed. They obviously have benefited a fairly limited number of people while marginalising others. Yet many of the programmes enjoy a fairly good reputation in Nicaragua especially at the intervention departments, not least due to Finland's long-term presence and commitment to working there year after year under adverse – and changing – social and political conditions. Boaco and Chontales are zones of livestock economy, with hard core poverty, avoided after the civil war by most donors. They are also zones of political confrontation, where traditionally the Sandinistas have been weak in contrast to their strength in coffee-producing regions. What remains from the Finnish-supported programmes, at the very least, is the introduction of an innovative cooperative model for dairy producers that helped the most able of them to graduate from extreme poverty and 'walk alone' (Prodega). In addition, there is now good community participation and consultation practices in the field of local governance (Progestión) and a multidimensional perspective of the different aspects of poverty has been introduced into GoN's rural development institutions (Fomevidas). The larger political significance of the Finnish programmes has been to develop channels of communication with all the governments that have succeeded each other in Nicaragua. Further, through these channels the Finns have been able to keep up with the changing realities of the Nicaraguan countryside.

It has also been suggested that behind the Finnish-supported rural develop-

⁶⁵ Rural Development Programme, PRODEGA

⁶⁶ Support to Rural Development and Poverty Reduction, Sectoral Programme FOMEVIDAS

⁶⁷ Municipal Management and Local Development Strengthening Programme, Nicaragua, PROGESTION

⁶⁸ Enhancing small enterprise growth and the provision of opportunities for women and excluded populations in Nicaragua, PROPEMCE

ment cooperation programmes might be an implicit model, which, however, is not conceptualised as such. Apparently Finnish cooperation has not been strategically designed to intervene in a certain region/zone for a long period of time. However, in practice that is what has occurred, not just with a single project, but through different programmes with different components. This model is struggling with modernisation theory and is trapped in the 'project cycle machinery'. Donors usually never learn from and build on the previous development experiences of a village, but appear to believe that the history of a village starts when they arrive. They also seem to believe that they, as the present donors, know what is best for poor people. The Finns share this tendency with other donors. Yet their model, with its Finnish 'flavour', is seen as being more participatory and flexible than the 'traditional cooperation model', and as something that could perhaps provide an alternative.

6.3.4 Some arguments arising from the case study of Nicaragua

1. Possibility of maintaining dialogue and building bridges even in value clash situations

The example of the Finnish ability to maintain – and expand – policy dialogue in the rural development sector during times of crisis shows that it is also possible to progress on the path of mediation, and that maintaining channels of dialogue and building bridges to government officials pays off better in at least the short term. It would be worth investigating why the elements in this case which are considered as Finnish / likeminded donor value added were not applied as policy principles in other fields of Finnish-Nicaragua cooperation. These Finnish value added elements include such things as contributing to building government capacities, providing flexible funding in filling in the gaps in other, larger donors' funding. and being patient while a new government is formulating its policies.

2. People can only act as the system allows

The progress made in joint-donor rural development sectoral work was not really supported by the MFA headquarters in Helsinki since the then current policies were paying more attention to the construction of individual bilateral programmes than to sectoral cooperation. Nonetheless, thanks to the laxity of the MFA policy management system, the Finnish Embassy in Nicaragua was able to work its way through without much impediment from MFA, either. In this case, success depended more on the people on the spot, than on the system. It should be appreciated

however that people can only work within the limits placed on them by the system, and thus both people and the system are important, albeit in different ways. The right people in the right positions at the right time will make a difference. Success may have been thanks more to coincidence than conscious planning in this case, but the systems can be made more amenable not only to not restricting the agency of the people, but also to empowering them to achieve more.

Furthermore, human expectations matter. The rural development donor group had it very clear from the beginning that what mattered was the donor compromise with rural development. This meant that working relations had to be maintained with whatever government the people had elected. The case was different in the sector of governance where many donors – including the Finns – felt an almost personal disappointment with the values represented by Ortega's second government, impairing their ability to see any possibility for renewal of the political dialogue. This shows how, in the case of vague policies and weak management systems, individual views can be of decisive importance.

3. Bilateral activities provide a good basis for policy dialogue and implementation

In the creation and maintenance of policy dialogue in the rural development sector, bilateral rural development programmes have been extremely useful. They have provided the Finnish ODA staff with a first-hand view of the practical problems with – or faced by – government institutions, municipal authorities and communities in the development of this sector. This has made the contributions of these rural programmes much more valuable than appears at first glance in the sectoral tables. The Finns, together with the other basket funding group members, were praised as the ones that visited the field most often, sometimes bringing other donors along on joint sectoral field missions, too. Finnish bilateral programmes in Nicaragua have also always been very much institutionally oriented, mediating between centralised state structures and decentralised state institutions in the sometimes very competitive and always highly political circumstances of Nicaragua. Perhaps the real value-added in rural development programmes such as Fomevidas, which was evaluated as having poor practical outcomes (2010), is that they put Finland in direct touch with the nature of rural poverty in Nicaragua, impeding the takeover of donor technocratism in Finnish sectoral cooperation.

6.4 Conclusions: negotiation of value addition on the ground

As there is such a variation in what the different Finnish representatives have done,

or not done, even in Tanzania and Nicaragua, an obvious conclusion in the search for Finnish value-added (FVA) must be that, in the era of recipient ownership, aid harmonisation and coordination, there are few innate resources that the people delivering Finnish aid can automatically rely on. Certainly there is no neat toolkit of value-added they can import with them from Finland. Any offer of value addition must be negotiated and constructed on the spot, specifically for each context and multi-donor situation. One might wish to suggest that there are some traits or propensities that are more valued in the Finnish culture than in some other cultures that may be of use in such situations. Among those that have been suggested are such values as openness and honesty, a tendency to equal treatment, and a constructive rather than an opposing approach, along with partner respect. On the other hand, one can also point to other real or assumed 'Finnish traits' that may not be so conducive for cordial collaboration. The proverbial Finnish introversion and reticence may be assets in some contexts and weaknesses in others. Finns may be unobtrusive and inoffensive but that may add up to a lack of decisiveness and perceived timidity. In any case, there naturally are great differences between individual Finns.

The crucial role of the human factor resurfaces here. In all our cases, it has been individual people in the field, or individual advisors in embassies, who are responsible for the successes as well as the failures. But they all work within the framework of the systems and organisations, and the systems could be changed to not only restrict the agency of these crucial people, but also to empower them. The system closest to development workers is of course the MFA, which is known for the paradox of having a very hierarchical and Helsinki-centred decision-making procedure combined with a weak management system. While many small decisions, especially those involving any use (however small) of funds, have to be submitted to Helsinki where they go up to the Minister's desk, the people in the field are left on their own devices to conduct their business in many respects as they best can. They are often not given sufficient background support, but neither are very many restrictions put on their work.

What the people on the spot can achieve, then, depends basically on the local contexts and their skills in operating within these. So far, the Finnish performance in policy dialogue, with its concomitant influence on the policies of the partner countries, has been uneven. Mostly the impacts of even successful Finnish activities have normally remained local. In Nepal for instance, the successive water projects, which have been rated as being at least relatively successful, have nonetheless failed to have any larger policy influence. Project activities do not usually have much influence on policy, and in rural Nepal the provision of drinking water has been largely left to the local Water User Committees as their responsibility. Even so, the Finns have effectively insulated themselves from having any wider policy influence

by choosing as their counterpart the Ministry of Local Government, instead of the Department for Water Supply and Sewerage, which is responsible for policy. Policy influence requires long term commitment to advocacy and dialogue, as exemplified in our case studies by the long-term support to national forest policy planning in Tanzania which has resulted in the recognition of the role of the private sector in post-ujamaa forestry. In addition, the mediation necessary to keep up and enlarge dialogue in rural development in Nicaragua was based on a long presence and continued activity in the sector. In Ethiopia, the CDF experience is now being taken to the national policy level with Finnish support.

How far these initiatives will reach is another matter: we do not yet know. In all our case studies the observation has been made that enthusiasm for 'new' aid modalities such as general budget support (GBS) is waning on all sides. In Nicaragua it has been discontinued; in Tanzania its volume is being drastically cut, and both donors and the government seem to be growing frustrated with the heavy dialogue machinery surrounding it; and in Nepal it has not even been started. Nevertheless it is probable that most of the pillars of the Paris Declaration agenda will remain as part of Finnish development cooperation policy for the foreseeable future although the inherent internal contradictions may grow more acute. In any case, donor harmonisation and alignment have come to stay, and the discussion about what is meant by recipient ownership will intensify. Even GBS will remain as one instrument among others, and other aid modalities accompanied by policy dialogue will be continued.

Contemporary development cooperation is increasingly value-based, and values are culturally bound and constructed. In addition, there is the dilemma of what the Nicaragua country programme evaluation calls 'policy purity' (Caldecott, van Sluijs *et al.*, 2012, p. 80). There is an implicit lack of coherence between the more pragmatic people who have a stake in continuity, and policy purists who insist on supporting only those governments that are following the 'right' policies. Obviously, if Finland is to engage in value-based policies, it has to define its position on the values it promotes: for instance, when are offenses against gender equality as a right of women, or instances of 'bad governance', grave enough to start to place value-based conditionalities on providing aid, or to stop dialogue and cooperation altogether? It should be remembered that the very idea of policy dialogue implies that differences in values must be respected. Although the parties are working within the parameters of the same aid system and discourse, they both carry their historical and cultural packages with them. Both need to listen to what their partners have to say, and try to build bridges, not to pursue ready-made value goals. The skills that are needed here are neither innate nor automatically provided by any cultural traits. They are traits acquired in practice, born, or not born, in common efforts of trial and error.

7. FINNISH VALUE-ADDED AS MULTIPLIER: SMART CONTRIBUTION AND LEVERAGE

Conceivably, Finnish value-added (FVA) could also be a smart contribution which would provide a more or less powerful catalytic boost within a larger whole. Such FVA could be part of a larger package, something in which the Finns, or Finnish aid, combine their limited resources with those of others in order to achieve something that is desirable to all but would be beyond the means of any one of them alone. In these cases the value of the original contributions would be enhanced by bringing them together, with the whole being more than the sum of the parts. Basically all participation in multilateral organisations follows this logic, as their basic idea is to pool together the resources from their members and finance something larger in common. Another possibility is that the Finnish contribution could be something added in, such as seed money, to produce a leverage effect where the value of the original contribution would be multiplied by other resources attracted in. An example of this might be a well-focused and strategic Finnish TA contribution to a larger investment programme in which the hardware and infrastructure are financed by an international financial institution. Another example might be an initiative to mobilise resources from other donors and ‘stakeholders’, including those in the private sector, to fund or run together a certain activity at a much wider extent than the contributors would be able to implement independently of each other. If this could be done by first creating a model of best practices that could be replicated elsewhere that would make the multiplier effect much stronger.

In this chapter we look at two of the more recent and innovative of such FVA endeavours: the Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) that Finland has been, together with Norway, funding at the World Bank; and the Energy and Environment Partnerships (EEPs), which are meant to create replicable public-private partnerships (PPPs) to promote the use of renewable energy in some developing regions. The first was selected for our study because multilateral contributions to UN organisations, development banks and other IFIs, and, recently, the EU have traditionally accounted for a major share of Finnish development funds. These disbursements are sometimes criticised as being in effect blank checks, the use of which cannot be much influenced by Finland. Paying the contributions of course gives some voting power to all members, but the influence of a single member is usually directly related to the size of the contribution: that of the small contributors is bound to remain small. The Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) at the World Bank is meant to counteract that weakness. Its purpose is to infuse into the work

of the Bank value-based elements that Finland considers important, in hopes that the Bank will take over and further diffuse these values in its work.

The Energy and Environment Partnerships (EEPs) aim at a different multiplier effect. They are a new, much advertised approach in MFA energy sector interventions, which promote the use of renewable energy by creating a replicable model of public-private partnerships (PPPs): one of their basic aims is to draw private capital and other new resources into projects of renewable energy benefiting poorer people in the countries concerned.

7.1 The rise of trust funds

The share of Finnish aid disbursed through multilateral channels has always been relatively high; for a long time it has remained at c. 35% to 40% of total ODA. This places Finland fifth among the DAC members, in the OECD's *2010 DAC Report on Multilateral Aid* (OECD 2010b) – after Italy, Greece, Austria and Belgium. Despite its relatively large inputs in the multilateral system, however, Finland provides only 1% of total global multilateral aid and remains a small player in absolute terms. The bulk of Finnish multilateral aid is directed through EU institutions, while UN organisations and the World Bank Group provide two other main channels.

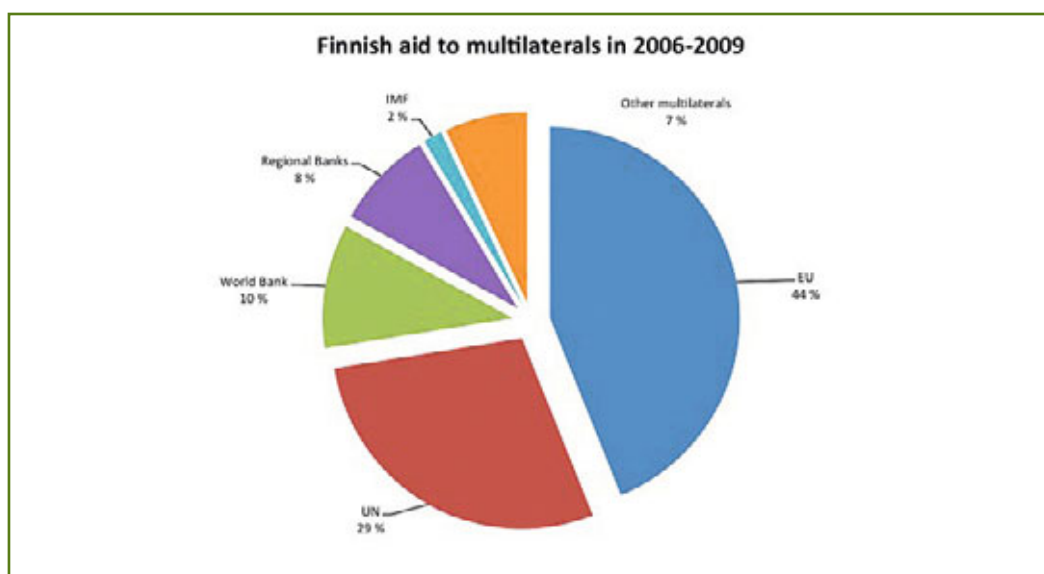


Figure 7.1: Breakdown of Finnish multilateral disbursements by recipients

Source: Suomen kehitysyhteistyön perustilastot 2010.

Finnish aid going through the World Bank has been growing steadily and has recently bypassed UN organisations to become after the EU the second largest multilateral aid channel for Finland. This increase is largely due to the growing importance of Trust Funds managed by the World Bank. In addition to the traditional core funding (56 million Euros in 2010) provided to the International Development Association (IDA), Finland funded 40 different trust funds within the World Bank Group in 2010. The total disbursements to these funds increased from 40 million Euros in 2008 to more than 70 million in 2010, thus exceeding core-funding. This significant boost has resulted from larger than average disbursements, instead of an increased number of funding targets. The most important trust funds for Finnish MFA disbursements have recently been the Global Environmental Facility (GEF, 15 million Euros in 2010), InfoDev (8.7 million Euros), the Sudan Multi-Donor Trust Fund for Southern Sudan (7.5 million Euros) and the Afghanistan Reconstruction Fund (6 million Euros)⁶⁹. With the recent emphasis and heavy inputs in Trust Funds, it can be argued that the World Bank has actually risen to become the most favoured channel of Finnish multilateral aid, given the somewhat fixed and mandatory nature of the EU-related funding.

The Trust Funds in the World Bank are diverse and serve various purposes, some channelling funds to operations in programmes on the ground while others earmark funds for the Bank's internal use. The overarching feature however is that they all allow donors to channel bilateral aid through the multilateral systems for specifically earmarked purposes. This form of concessional development assistance has been growing in importance and has come to be known as *multi-bi* aid. According to the OECD report (2010), trust funds give donors increased visibility and influence, and allow multilateral organisations, such as the World Bank, to engage in a wider range of activities. A total of 1075 active trust funds were noted in the World Bank's 2010 *Trust Fund Annual Report* (World Bank 2010). This huge number illustrates the popularity that Trust Funds have gained among donors, all of whom wish to push their own agenda within the Bank.

7.1.1 The story of TFESSD

One of the trust funds funded by Finland is the Norwegian founded Trust Fund for Environmentally and Socially Sustainable Development (TFESSD). In 1998-1999, Norway wanted to mainstream environment into World Bank's activities and to restructure its assistance to the Bank by reducing the number of trust funds from the then current 130. A single trust fund combining different themes related to envi-

⁶⁹ Figures from 'Findings' from the internal MFA report on World Bank trust funds.

ronmentally and socially sustainable development, with a stronger policy dialogue element, was considered suitable for this purpose, while simultaneously advancing harmonisation and effectiveness. This kind of trust fund was at the time extremely innovative, not only because of its ‘umbrella approach’ but also because social development was only slowly entering into the World Bank agenda. In the 1990s, the World Bank, as well as the IMF, focused broadly on the economic dimension of development, especially on growth, and scarcely any mention was made of issues such as social development, vulnerability, environment or sustainability. Even when these themes emerged on the Bank agenda, social development, social protection, poverty and environment were all split into distinct departments, giving TFESSD extra value in acting as an initiative connecting separate sectors.

The theoretical assumptions behind establishment of the Norwegian TFESSD fund can be summarised as follows: (i) an appropriate design of the fund mechanism is essential in order to influence Bank policy and operations, (ii) a process of regular dialogue is required to create a shared vision of the fund; (iii) trust fund projects must focus on appropriate themes, be catalytic, innovative and cross-sectoral, i.e. they should be non-core projects over and beyond regular Bank work. With these three assumptions in place, influence over the Bank’s products is assumed to be possible. The underlying logic in the TFESSD is accordingly that successful mainstreaming occurs when Bank policies and operations change as a result of the influence from one or more of the various TFESSD projects.

One of the main objectives of TFESSD was also to establish closer links between Norway and the Bank, as the latter was considered a valuable source of information. Semi-annual high-level meetings have been organised to reach this end, fostering an extensive dialogue between the donors and the Bank. These contacts and the dialogue were not reserved solely for the purposes of small circles but were meant for a wider audience, which is why a Reference Group was established in 2001 with a Professor from the University of Oslo as the Chairperson. This unusually heavy dialogue machinery stands as an exception among the Bank Trust Funds and is evidence of the high value given to TFESSD on the Bank side as well.

While Norway showed remarkable initiative in setting up the fund, the Finnish MFA can be equally commended for its awareness in 2001 to join in, although with a much smaller contribution than its Nordic counterpart. From its inception in 1999 until the end of 2010, cumulative contributions from the two donors to TFESSD reached over 134 million USD, Norway providing the major share with 109 million USD (World Bank TFESSD Team 2010). Finnish inputs annually c. 20%. Despite their uneven funding shares, the Fund has been managed by the two countries in very egalitarian way, e.g. in terms of expert group members and hosting meetings. Both donors are now slowly exiting the Fund, which is considered as having ful-

filled its purpose in getting environmental and social issues on the Bank agenda: an example of this is the single Bank-wide Strategy and Implementation Plan entitled '*Empowering People by Transforming Institutions: Social Development in World Bank Operations*' (World Bank 2005).

7.1.2 Finnish value added in TFESSD

Finland followed a rationale similar to that of Norway in joining TFESSD in 2001. Finland was concerned by what would happen to Finnish influence if the individual donor fingerprints were to decrease because of the ongoing aid harmonisation and effectiveness process. Supporting TFESSD was seen as an effective way of using limited inputs to assert influence on one of the most important and largest actors in international development assistance.

Finnish-Norwegian co-operation in TFESSD has undoubtedly added value for both countries. Finland has gained leverage from the larger Norwegian contribution to influence the Bank, and Finland's participation has made it politically easier for Norad to stay engaged in the fund. As Norway agreed to share decision-making power equally, despite the uneven financial contributions, Finland has been able to put forward its own priorities, such as gender, disability, forestry and the 50% Africa share within the Bank. Finland's participation has furthermore facilitated building and maintaining institutional memory at times of staff changes.

In the context of FVA, TFESSD emerges as an example of a positive catalyst effect: that is, by placing a small input in a strategically well-chosen target, greater influence can be achieved. Indeed, in a 2008 evaluation, 74% of the respondents acknowledged that TFESSD has appeared as a catalyst for mainstreaming cross-cutting issues such as the environment and social development into the Bank's operations, in both Bank HQ and in the field. This has been done mainly by targeting the Bank's products, methods and processes, and not country-related activities (Norad and MFA 2008). With TFESSD, Finland is not thus simply pouring funds into large machinery, but is attempting to influence its outputs as well.

However, TFESSD is not a pure Cinderella-story; certain problems have emerged as well. First, the saga of TFESSD shows that in order to advocate positions and priorities, well-targeted financial contributions are required. This will become a challenge for a small-sized donor such as Finland when all donors begin pushing their own agendas. Second, the organisational structure within Finnish MFA does not necessarily support this kind of multilateral advocacy work, due to a lack of both resources and know-how. Bank-related advocacy lies in the hands of diplomats, who might not be the most suitable advocates, due to the very fact that they are trained in diplomacy and not advocacy. Attempts have been made within MFA to

overcome this by hiring external experts with knowledge of the Bank and its way of operating to conduct e.g. TFESSD WB-MFA dialogue; similarly Finnish-funded experts have been placed within the Bank. Nonetheless, the value addition of the bank-placed, expensive experts is likely to suffer from the observed the serious lack of strategic guidance, interest and an advocacy agenda for these MFA funded external advisors. Finally, replication of the TFESSD model may prove challenging in the future. Part of the uniqueness and success of TFESSD relies on intensive dialogue, and the World Bank's propensity to engage in this sort of activity is limited. If all the donors tried to replicate this model, it would become unmanageable.

7.2 Energy and Environment Partnerships

The Energy and Environment Partnerships (EEPs) are something different, although they are also meant to mobilise funds and other resources from different sources and place them into a common pool. There the Finnish contribution is offered as seed money that will draw in private resources to construct a model which can be replicated. This is a new approach now being tried in MFA energy sector interventions; it promotes the use of renewable energy by creating what are called public-private partnerships (PPPs). It may be debated whether the EEPs really are PPPs. These EEPs function in regional settings, something that has been a major drive in Finnish development cooperation since the late 1980s, and have been recognised as a policy ‘instrument’ since 2001⁷⁰. The first Energy and Environment Partnership in Central America was born in the context of World Summit on Sustainable Development (WSSD) in Johannesburg (2002). Since then the expansion of this cooperation model to Indonesia (2009) and to three other regions in 2010⁷¹ makes the EEPs an excellent example of this ‘common pool’ type of approach. So far, over 12 million Euros has been invested in EEP in Central America, and a similar amount (13.9 million Euros) has been budgeted for EEPs in Africa and the Mekong⁷², excluding the contributions of other donor partners.

The EEP model or ‘quasi-instrument’⁷³ contains certain elements labelled by programme planners, executors and partners as particular aspects of Finnish value added (FVA). These elements can be categorised under the various notions of FVA presented in Chapter 2, particularly to those linked with Finnish expertise and know-how in the field of renewable energy. They can also be linked as well to Finnish cooperation modalities considered to be FVA, such as promoting equal partnership relations through the EEP programme design, and focusing on remote and vulnerable areas (places where other donor do not go). EEP can also be considered as a best practice defined by the long term commitment to experimenting with flexible programme modalities, which allows innovations to take place. However, as will be argued below, the reality in Central America looks rather different from the design. The fact that these different notions fitted well with the latest political expressions of FVA in the post-2007 policy period no doubt facilitated the fast transfer of EEPs to other regions.

⁷⁰ In MFA's 2001 development policy operationalisation strategy, regional cooperation is brought in as an instrument for solving issues, to be preferred to national efforts such as regional integration and security. Key regional cooperation areas for Finland are Central America, Mekong, Central Asia, and SADC countries in Africa.

⁷¹ Indonesia 2009; Mekong River 2010 (Thailand, Laos, Cambodia, Vietnam), Southern and East Africa 2010 (Botswana, Kenya, Mozambique, Tanzania, South Africa, Swaziland, Zambia), Andean region 2011.

⁷² EEP Mekong Programme Document, 2009 and EEP Southern & Eastern Africa Project Document 2009.

⁷³ Finnish Support to the Energy Sector. MFA Evaluation Report 2011:1, p. 158.

7.2.1 EEPs in a nutshell

The Energy and Environment Partnership (EEP) programme was launched with great fanfare during the UN World Summit on Sustainable Development in Johannesburg, South Africa in 2002, with the support of Finland's Ministry of Foreign Affairs and in collaboration with the Central America Integration System (SICA) and the Central African Environmental Commission (CCAD). With the ultimate aim of stimulating bankable projects and serious investment, the EEP in Central America (EEP-CA) offers seed grants for feasibility studies, pilot and demonstration projects, energy policy analysis, information programs, and capacity building. Through competitive proposal submissions, winners are awarded small grants. Winning proposals should demonstrate high innovation in delivering energy services, facilitating technology transfer, encouraging cooperation, and promoting local stakeholders' participation in project decision-making. While the programme supports the activities in the form of grants, those submitting the proposal are also expected to cover a certain proportion of the costs by themselves, something which makes this an endeavour in economic cooperation.

The parties signed the first Cooperation Agreement on the EEP Programme for Central America in 2003 with 3 million Euros to be used for renewable energy pilot and demonstration projects, and feasibility studies on wind, hydro, biomass and solar energy for 2003-2005. In addition, participating private partners (manufacturers, consultancies, and the like) and public institutions were expected to make financial and in-kind contributions to the activities. The main objective of Phase I was to provide alternative methods through renewable energy pilot projects to diminish the dependence on fossil fuels, stressing at the same time the associated welfare gains that energy brings to rural communities located in remote areas. The partnership was extended into a second phase for 2006-2009, for which MFA offered a contribution of 4 million Euros, and the Austrian Development Cooperation agency (ADC), which joined in early 2007, 1.8 million Euros. A third phase, with a total budget of 9.3 million Euros (6 million of which funded by Finland), will now take the Central American programme until the end of 2012⁷⁴. Meanwhile, this cooperation model has been expanded to Indonesia (2009) and to Southern and Eastern Africa, the Mekong, and the Andes in 2010⁷⁵, as guided by the recommendations of the Midterm Review of the partnership⁷⁶.

⁷⁴ *Energy and Environment Partnership with Central America, Phase Three*. Framework Document, December 2009.

⁷⁵ Indonesia 2009; Mekong River 2010 (Thailand, Laos, Cambodia, Vietnam), Southern and East Africa 2010 (Botswana, Kenya, Mozambique, Tanzania, South Africa, Swaziland, Zambia), Andean region 2011.

⁷⁶ Wanner MFA, 2011 interview.

7.7.2 Finnish value added in EEP Central America: design versus reality

In our study, certain key elements were listed by programme planners, managers and implementers alike as specific strengths that Finland has brought via EEP into the modalities of working in the field of renewable energy. All these strengths are not ‘Finnish’ per se, but they are considered as Finnish value added since Finland as a donor has promoted them in the programme targeting, design and implementation. The following were the strengths most often mentioned:

1. Pioneer focus on renewable energy as a key structural problem in Central America as a region (regional approach), and as an issue in which Finland has particularly much to give as per its own experience
2. The innovative idea of public-private sector partnership where Finland has specific expertise
3. Demand-driven approach
4. Reducing poverty by targeting remote and underprivileged rural areas with pilot projects
5. Ownership as a principle guiding the practical design of the programme management

A closer look reveals that the actual outcome of the programme model is rather different from the intended one.

1. Pioneer focus.

Finland’s decision to focus a regional programme on renewable energy as a response to the long-term, structural energy problem in Central America was pioneering in 2003. Unlike today, no single donor was concerned with renewable energy issues during the 1990s and early 2000s⁷⁷. Even if structural problems related to energy were deepening in the region, the regional and the international cooperation agenda in the early 2000s was based on environmentalism influenced by the Rio Convention of 1992, competitiveness based on a regional agenda of entrepreneurial competitiveness,⁷⁸ and later on, on harmonisation based on the Paris Declaration. Thus, while structural problems such as dependency on imported oil were deepening, the regional and the international agenda were focused on environmentalism,

⁷⁷ For the 2011 Energy sector evaluators, the EEP as a source of Finnish value added was confirmed in terms of its approach and filling a specific gap in the donor arena. In Central America, where Finland was by no means the largest donor, Finland still managed to create a niche with EEP and set up one of the only organisations working in the energy sector across 8 countries in the region (MFA Evaluation Report 2011:1, 53-54).

⁷⁸ For an understanding of this competitiveness agenda, containing elements such as clusters and comparative advantages related to regional institutions, donors and private sector policies, see Mendoza & Kuhnekath (2004), *Tratados de libre comercio, Plan Nacional de Desarrollo y Clusters. ¿Cambio de ruta o más de lo mismo?. Revista ENCUENTRO*, No. 67. Nicaragua.

competitiveness and poverty reduction. The decision to work with renewable energy in a regional framework was also regarded as pioneering and very appropriate in view of: the commonality of interests among Central American countries, the regional integration tendencies of the 1990s, and Finland's development policy aims. The regional institutions CCAD and SICA had just been established, in 1989 and 1993 respectively. However, donors still preferred working through multi-country programmes rather than with programmes of a regional design⁷⁹. EEP was a unique attempt to use SICA as a management point for a regional energy programme.

The opinion of some interviewees was that while the programme might have been very innovative in 2002-2003 when it was created, it has now lost its golden opportunity. The field of renewable energy (RE) is filled with actors, many of them larger and with more resources than Finland, and the changes in the sector have been very fast. The international focus on climate change has caused the world to turn its attention to renewable energy sources, and the funding is pouring in. Even the rather uncritical Mid-Term Review notes that EEP is large in millions of Euros when compared with Finland's development cooperation programmes, but a midget compared to the World Bank and other donors. Even in the best of cases it can only offer a supplementary contribution to other funding enjoyed by the best performing regional energy projects.

The basic approach of the programme has been that of traditional technology transfer, widely suspect in developmentalist thinking for decades now, and basically replaced by ubiquitous calls for capacity building. In the EEPs, capacity building is duly listed among the activities to be supported; but all technology comes from abroad without even an attempt to enhance innovation systems in the region. Several efforts have been made at fostering local innovation and local technical expertise, especially in the African EEP, but there is still much room for making them more systematic and strategically-oriented.

Question marks also hover around the regional dimension, often seen as a particular strength brought in by the Finns. As the Central American countries are small, the idea of 'hitting eight flies' with the administrative costs of one has been vivid, and is brought up by MFA even more as the funds are getting scarcer. Yet it seems that, administratively, these kinds of programmes are very cost intensive and heavy to run: the practical implementers sometimes complain that the regional dimension actually makes their work eightfold. Regional programmes in CA continue to be poorly planned and politically not prepared well in advance, and not backed up by regional political commitment, before starting in each country. Finnish aid

⁷⁹ EEPs that work through regional institutions were not so common in the 1990s and early 2000s when donors were funding regional programmes that were not working with regional institutions. Regional programmes such as Finland's forestry programme Procafor were based on national activities, their regional components consisting mainly of research studies or sharing of experiences.

appears to idealise Central America as a region, endowing it with more uniformity than it actually has. Few lessons are learned from the implementation of previous programmes such as Procafor, a regional forestry programme, which actually consisted of individual country activities with few regional activities.

2. Demand driven approach.

It was also stated that EEP differed from the traditional programme concept in which activities are planned and initiated by programme management according to a detailed plan. This was because the role of EEP is to respond to demands from different participating countries, support policies defined by the same countries, and offer references from which each country can 'adopt' and 'adapt' new policies. As a result, the EEP model has been seen as very demand-driven, nothing is introduced from the donor countries (except the model itself); the donors are only providing financing for locally-lead initiatives.

According to our findings, EEP does fit into regional and national priorities and the larger regional framework, and thus it can claim to be 'demand-driven' at such a level. But as EEP-CA did not function as a tool to explicitly convert national policies into practice, but rather ended up funding hundreds of demonstration projects around the region without systematising them, and without even the aim of systematising the best practices so that they could be converted into national efforts. This moots the question as to whose demand is driving the EEP in practice. At the local level it is demand-driven only in the sense that the communities do indeed need energy. In the projects we have observed however the community demand often stopped there. After that, various gatekeeper organisations, such as NGOs or small companies specialised in energy delivery, entered into the picture, bypassing local governance structures and sometimes the whole community. There was no joint planning of the solutions desired by the community or municipality, and feasibility studies were made on a technical basis and from an investor's point of view (such as what kind of technology available from whom would be suitable).

3. Poverty reduction.

In the EEP design, poverty reduction is presented as a main aim, but the relation between poverty and energy has been recognised as indirect. Fossil fuel dependent Central American countries are seen to spend a considerable amount of their GDP for oil imports, instead of being able to invest in solving urgent problems of poverty and social exclusion. EEP has thus been seen to contribute to poverty reduction because it seeks to provide energy services and 'the lack of access to modern,

affordable and reliable energy services limits livelihoods and other economic activities and maintains poverty⁸⁰. The programme admits that 'energy alone will not reduce poverty' but maintains it does have an important role to play alongside other things: it was to promote energy-efficient and less polluting end-use technologies for traditional fuels and thus reduce the cost and improve the quality of energy supplied to low-income households by supporting mainly decentralised sustainable energy solutions⁸¹. The practical emphasis on poverty reduction has been quite strong in both Phases II and III where it has been listed among the main programme objectives. The focus of targeting the programme to remote communities and areas with less access to conventional energy networks has also been argued to constitute a specific value added Finland has brought in as part of EEP's agenda.

Laudably, in the EEP-CA the majority of the projects did go to underprivileged areas. However, working on energy with the poorest communities presented serious challenges for the design and implementation of EEP projects. There are almost 300 projects funded in EEP-CA, and no doubt there must be good ones among them, since different national coordinators with probably different capacities and visions had the EEP project window to use for more sustainable energy pilots (Costa Rica was often mentioned as a good example). But it seems clear that the EEP project machinery has some general faults that were reflected in all the pilot projects if they were meant to provide energy for the underprivileged areas. These faults are related to deficient project design being approved in the EEP-CA machinery. Most importantly, the lack of explicit poverty reduction strategies and design left it unexplained how the supply of energy was thought to be converted into poverty reduction. In the field it was easy to see that an installed energy service provided light for all but income only for some (those who already had some resources, e.g. to buy a refrigerator to start selling cold drinks, or who were members of coffee cooperatives, etc.) Project funds were also too small to cover all the areas needed to make the pilots sustainable in the poor communities; and project designs did not pay enough attention to sustainability.

4. Local ownership.

EEP counterparts appreciate a programme design in which the programme is managed by a Steering Committee composed of donors and partners alike, instead of being governed by a Finnish institution or manager. For them, EEP represented a partnership-based cooperation model: no Finnish TA or personnel, no top-down definition of programme policies, no donor supervision and control, but a part-

⁸⁰ *Energy and Environment Partnerships with Central America*. Framework Document. Phase III. December, 2009, p. 3.

⁸¹ *Phase II Framework Document 2007*, p. 25; repeated in Phase III Framework Document 2009, 33.

nership in which donor and participating entities counted equally through shared votes⁸². To manage the EEP, an independent Coordination Unit was created in SICA. This Regional Coordination Unit (RCU) takes care of the practical management of the EEP with a national delegate from each participating Central American government, generally coming from the ministry of energy and/or the environment. Funding decisions are made by a Steering Committee in which the national delegates are members. By granting power to the Steering Committee, the ownership of the programme is designed to lie within the national energy and/or environment ministries as they participate in the regional activities through their national delegates. At the pilot project level, ownership is expected to be held in the implementing agencies, whether private RE enterprises or NGOs. Project proposals originate from the companies, government entities and/or civil society organisations (CSOs) and are part of their broader plans to develop their investments and operations.

The EEP design was not, however, based on a serious institutional study of the organisational and political situation in, nor the characteristics of, prospective national/regional programme partners. Since the 1990s, with the spread of neoliberalism, regional cooperation in Central America has come to be regarded as a more 'technical' than political business. Consequently, EEP is not coordinated by SICA, but with an apparently autonomous RCU in El Salvador, detached from the 'mother organisation'. Thus, it is unclear who has the regional ownership of EEP. There is clearly a mismatch between the vision of EEP being able to respond to structural regional problems and the reality of EEP fostering single and isolated projects. Neither is there much evidence of national ownership, although there are signs that it may be growing. What were supposed to be the governments' decisions and leadership were substituted in the programme management unit by Finland's strong control of the Steering Committee and the Regional Coordination Unit. The steering and selection mechanism of the projects has not been, at least in the past, really based on national priorities. Although the national coordinator screens the projects and puts them in order of priority, the technical evaluation committee can change the priority on technical grounds. In the end it is the Steering Committee which makes the final decisions. Although today the Steering Committee evidently does adopt the order of priority presented by the national coordinator, previously when the Finnish advisor had control, Finnish involvement was heavily prioritised.

It is also difficult to see on what evidence the claims in the MTR that communities had strong ownership are based. It is true that once energy is installed, the community usually is desperate to make it work and to maintain it. Nevertheless there have been obvious problems with the non-involvement of existing govern-

⁸² In the Steering Committee making final project financing decisions; SICA, CCAD and the 8 participating countries have 1 vote each and Finland, Austria, European Union have 4 votes altogether.

ance structures, and with take-overs by other organisations. NGOs and private companies are not community-based and do not stay around to ensure the sustainability of the project. If one visit communities to discuss EEP, one often encounters questions such as: “What is EEP?” and “*Who* is EEP? Something in El Salvador?”

7.2.3 EEP Central America: the issue of Finnish exports and know-how

EEP Central America (EEP-CA) was supposed to be a regional programme supporting national ownership by turning local level (innovations) best renewable energy (RE) practices into mainstream national (and ultimately) regional policies. Instead, we have a programme that is utterly local (grass-roots, even), with very weak connections to the national policies. The programme had a strong underlying design not so much guided by explicit aims as by programme management and implementation. In the beginning, there was a strong tendency for EEP-CA to be an instrument for the promotion of Finnish companies and the expansion of Finnish RE markets in CA (seen as a prominent market area due to its fast development expectations and commitment to RE). Although this drive has now slowed down considerably on the ground, some parties in the MFA Helsinki still adhere to it.

Issues considered as Finnish value-added (FVA) seem to be based more on ideals than reality. According to evaluations and the views held by MFA advisers and desk officers at the Managua Embassy (but not by the RCU or the key implementers) the programme has, whether intentionally or unintentionally, followed a path different from its stated goals. It appears that under the strong leadership of the Finnish Steering Committee Chairman, a totally different implementation culture for the programme was created, aimed at different objectives (referred to in the MTR 2008 as ‘underlying EEP objectives, not documented but having been there from the beginning’). Differing opinions held by advisers in Helsinki or officials at the Embassy were not able to change the course set by the Chairman of the Steering Committee. The unwritten objectives were strongly in favour of Finnish exports in RE and expansion of Finnish market areas in CA. This was disguised as PPP, that is, private sector (pro-poor) participation in the energy markets.

The lesson to be learned from the EEP in Central America is that the Finnish company involvement dies when the state financial support dries up. It is well documented in the MTR and known within MFA by officials working with EEPs how the Finnish companies’ interest declined when CA markets were found to be too far away and the projects too small. The curious thing in CA is that the reputation of Finland as a strong country with international expertise in RE is kept very much alive by the programme machinery. There is a strong conviction that Finland

really has something to give, it is only that the EEP design has not matched the offer. However, as far as we have been able to ascertain, in the field of RE, Finland has international level expertise in public-private energy partnerships mainly in electricity production where part of the power supply is produced with renewable energy (water, waste, etc.). This is such a grand-scale industrial exercise that it is difficult to introduce it to RE markets in places like Central America, where the demand is for smaller-scale, replicable solutions of softer technology. This small scale is indeed what many RE demonstration projects have promoted.

Further, what technological specialised know-how suitable for the developing countries there is in Finland (e.g. biogas production from the water hyacinth in Guatemala, a project implemented by Pöyry), suffers from the lack of development knowledge that should go with this kind of ‘technology transfer’. EEP-CA also evidenced how poorly the developmentalist objectives fit in practice with the current design. The approach in CA was technologically dominated in spite of the fact that the Central American programme was supposed to be more pro-poor than even the Mekong or African EEPs ever tried to be. In CA, the pilots were targeted to underprivileged areas, in the name of national interest, since RE was seen as complementary in areas where it is too expensive to provide a conventional power supply. Thus, EEP-CA’s mix of ‘real’ and ‘underlying’ objectives complicated the EEP outcomes in the field even further.

7.2.4 EEPs in the Mekong, and in Southern and Eastern Africa: Potential

To what extent the problems encountered by the EEP projects in Central Africa have been due to personal and other factors idiosyncratic to that particular programme, and to what extent they are embedded in the structural underpinnings of the concept, will be easier to assess as the EEPs evolve in other regions. In this study we have briefly looked at EEPs in Southern and Eastern Africa, and in the Mekong Basin. There is no doubt that provision of renewable energy continues to be a burning issue in all these regions; and it can be argued that with better linkages to national policies, and consequently strengthening regional ties and cooperation, EEP has not exhausted its potential to provide valuable contributions to this sector. However, it is clear that for that to happen, the design and management of EEPs should be radically changed, and the underlying real programme objectives clarified.

The African and Mekong programmes are in their infancy and not much can be predicted for their future trajectory. As has been stated in several places above, the original idea was that the best practices created in EEP-CA should be systematised and replicated in subsequent programmes. Even the same consultancy com-

pany was contracted to design the framework documents for new regional EEPs. Nonetheless such replication has not in practice happened. The new EEPs are in several respects different from their 'master' predecessors in Central America: less fragmented, with a possibility of extending fewer and larger grants, more geared to commercial viability but less to attracting Finnish companies. However, the core idea remains unchanged: the provision of seed money by Finnish aid to attract non-state resources to the provision of renewable energy. The changes are evidently due to a great extent to the flawed implementation of the EEPs in Central America rather than to any perceived flaws in the concept itself. As has been argued above, the true potential of EEPs has remained untested in Central America, because the hundreds of pilot projects have not been systematised; the best practices have not been noted and incorporated into national RE policies, not to mention regional policy. The challenge in Africa and the Mekong will be to rescue a perfectly sound idea from the past weaknesses of practical implementation. Both the Africa and the Mekong programmes were slow to start, but are now up and running; and their local 'ownership' is recorded as being good. At least in MFA Helsinki, considerable hopes ride on them.

7.3 Conclusions: Untapped potential?

The results for FVA from the 'smart contributions' examined in this chapter seem somewhat mixed. The results from Central America, Southern and Eastern Africa, and the Mekong Basin vary considerably. The Trust Fund (TFESSD) at the World Bank is actually quite a success story. The overall results suggest that considerable potential exists for EEPs if the targets are boldly but carefully chosen and the implementation is done skilfully. With a relatively small financial input, Finland has been able to influence the policies of the mighty World Bank to the extent that it has taken over the concepts of environmental and social sustainability dear to Finland and mainstreamed them into all WB activities, and there no longer seems to be a need to continue maintaining the Fund. That this has been possible only because of the generosity of Norway, the original and much more important contributor, and that the change was already underway and the Fund probably only accelerated it, do not detract from the value of the achievement although they must be noted among the facilitating factors.

The EEPs can hardly be presented in a completely positive light, since the original EEPs in Central America failed to meet so many expectations. It is by no means guaranteed that the successors to EEP-CA will fare much better. Still, it should be remembered that the tasks of the new EEPs are of different nature, since they are in a different geographic region, and they face a much more complicated working

environment. It is a defensible argument that whatever weaknesses the Central American EEPs may have had, the problems were more due to flawed implementation than to flaws in the concept itself. An obvious source of several problems was the drive to get Finnish companies involved at any price. On the other hand, the experiences of the EEP-CA programme seems to show, once more, how difficult it is to translate good policy intentions and programme objectives into practical outcomes and results. The EEP-CA also showed how big role the human factor, including personalities, and personal views of development and modalities of implementation, plays in the conversion of the programme models into results. Therefore it can be maintained that the EEPs continue to hold potential for the future, although it may be of a different kind of potential than that which was originally thought. In any case, the idea of using some aid resources as seed money to attract resources from non-state sectors to use for developmental purposes has not lost any of its validity.

To be sure, there are things that should be discussed regarding the set-up of the EEPs. Issues that should be raised include: whether they truly represent what they claim to, i.e. public-private partnership or PPPs; the extent to which this type of project is actually replicable in widely varying contexts; the assumed added value of the regional dimension; and the role of the Finnish private sector. The way the EEPs were planned did not quite follow the orthodox PPP approach, created in the late 1990s as a way of fulfilling public tasks in partnership with private enterprises by using the resources of the latter to make good for the shortage of public funds, resulting in more cost-effective provision of public services. In the EEPs, the 'public sector' is limited to the donor funds: no actual public entities are involved with whom the private companies or NGOs could build a partnership. Replicability is a big issue in its own right. In much of development research, weight is now given to the crucial importance of the context, and thorough knowledge of the context when planning an intervention: even identical-looking interventions work differently in different contexts. The value of a regional approach is obviously dependent on whether planners tackle issues that are truly regional and do not attempt to substitute regional for national efforts (for a thoughtful discussion, see Caldecott, van Sluijs, *et al.*, 2012, pp. 68-69). In Central America regional approach may have been much more consequential during the post-conflict reconstruction in the 1990s than it would be now. Furthermore, in activities involving the private sector, care must be taken to keep the interests of Finnish export promotion separate from private company participation. 'Finnish value added' should not be defined as added value to Finnish companies.

Perhaps the main argument arising from this chapter is that there is more potential for Finnish value addition (FVA) in multilateral environments than what has

been seen or even attempted so far. Normally, it is true, big multilateral organisations are difficult to influence, as is evidenced e.g. by the case – not discussed here – of the long and not very successful campaign to make the UN work more efficiently and more in unison. However, our case of the Trust Fund shows that even such a domineering and self-assured actor as the World Bank is amenable to influence when the circumstances are favourable. Given its pivotal position in the whole developmentalist complex, all opportunities to influence the World Bank should be used as effectively as possible. Comparing the success with the World Bank Trust Fund with the much more mixed record of the EEPs, particularly in Central America, an obvious conclusion is that in targeted contributions aiming at a leverage effect, the selection of targets is of utmost importance. The Trust Fund was in many ways an opportune choice, but in addition to the big multilateral behemoths, there are many smaller yet strategically placed institutions where support may have a considerable leverage or multiplier effect, if provided at an opportune time. International research organisations could be mentioned as one such example of a small yet influential institution. Finally, once again, the human factor must be remembered. Even if people are not the only factor in the equation, the right people in the right place, or the wrong people in the wrong place, can still make quite a difference.

8. HOW FINNISH VALUE-ADDED MATTERS IN THE SOUTH

Seen from the South, the Finnish preoccupation with its value added and strengths in development -cooperation may seem a little overblown. Finland is one donor among many, and a small one at that. Its Official Development Assistance or ODA (1.4 billion USD 2011) represents about one per cent of the world ODA. In none of our case study countries has Finland's share of ODA ever been more than a few per cent, and it is nowhere now as high as it has been. ODA itself is becoming increasingly irrelevant when compared with other global resources: ODA is less than one tenth of the world's expenditures on arms, roughly a fourth of foreign direct investment to developing countries, and only about a third of the value of remittances that immigrants working in developed countries send back home to their families in developing countries. It has been arduous to keep ODA at roughly the previous level while ten times that sum were swiftly mobilised for saving the indebted European economies and their debtor banks. On the ground, ODA continues to be in effect tied to ex-post conditions. Partners are getting frustrated with having to pay attention to and respect the continually changing donor demands. Criticism of donors and ODA is growing in many countries. More and more countries are thinking in terms of doing away with aid altogether. In Nepal, one of the visions officially floated has been to do away with foreign aid altogether by 2025, that is just 13 years from now.

At the same time, the poor countries have increasingly attracted alternative resources for development, and their dependence on ODA is in fact diminishing. One fresh source is the BRICs. China and India have always been major donors and, to lesser extent, Nepal and Brazil have had their share of investors willing to be donors to development abroad. Lately their contribution has increased, expanding to Tanzania and elsewhere in Africa where Russia and China have also been active. In Nepal, however, the main new source of resources for development is not a donor country, but the remittance economy. During the late 1980s foreign aid made up around 33% of Nepal's overall budget, and 67% of the total development (or capital) expenditure. Its relative proportion and role declined substantially during the next two decades. By the late 2000s it had come to constitute 13% of the overall budget and 33% of the development (or capital) expenditure. (Acharya 2011.) At the same time, the share of people in Nepal living under the poverty line in has gone down to 25% of the total population from more than 40% in the late 1990s. More and more of Nepal's development (or capital) expenditure is being financed by the government's own revenue, buoyed by remittances. In this light,

and if the trends of the past two decades continue, Nepal's visions of getting rid of foreign aid entirely do not appear too ambitious or far-fetched. Other countries may receive support from politically like-minded, more prosperous southern countries. In Nicaragua, the aid that Hugo Chavez' Venezuela gives the Ortega regime through oil trading arrangements already exceeds the value of ODA to the country. Thus the Nicaraguan dependence on ODA has declined rapidly: while the share of ODA in GNI averaged over 30% during the 1990s, it halved during 2005-2009 and is now under 15%.¹⁸³ Even in Tanzania, which has enjoyed growing aid volumes for a number of years, these seem now to have begun to decline. As seen above, this decline in aid to Tanzania applies in particular to that type of aid that has been most favoured by the government, General Budget Support, which seems have been cut down by half over the last year or two.

In this chapter we wish to go beyond the parameters of the internal aid discourse and provide a researchers' view of the conditions for realistic possibilities of Finnish aid when seen from the South. Naturally, there can be no one, unified 'Southern' view; what we can offer are some glimpses from a whole gamut of viewpoints. We will be looking at the issue from four perspectives. The first is how the Finnish value-added (FVA) has so far been understood in the South. Second, we take up the issue of how the aid system as a whole appears when viewed from a critical Southern perspective. Then we discuss what our Southern partners see that Finland could do in this system, whether the system could be improved, and what the Finnish contribution might be making an improvement. Finally, we argue that it is time to take seriously the need to start thinking about planned, long-term exit strategies. Even now, aid is not a major factor in the development of the partner countries (poverty reduction in Nepal being an obvious case), and in the future it will matter even less. Nevertheless, as long aid is around it will have effects and impacts.

8.1 Aspects of FVA as seen from the South

Notions like 'Finnish value-added' (FVA) are not much known or particularly favoured in the partner countries. The emergence and history of these concepts appears like a one-way street: the definitions and the concepts seem to be donor-driven rationalisation with zero inputs from aid recipient governments, parliaments, or NGOs. Unlike other policies which affect their nation, aid beneficiaries/partners have not their own interest groups included in development policy making in the donor countries. It is unclear to partners how or indeed whether the MFA or any other donor has taken stock of all its 'best practices' and 'bad practices' and sought to make changes in its aid delivery. Few partners have the resources to burrow into

¹⁸³ Figures calculated from the World Bank data.

the piles of donor evaluation reports. A key question to ask when using FVA as a policy concept is: for whom is value addition meant to be provided?

Tanzanian bureaucrats who manage aid flows, interviewed by our Tanzanian researcher, were not too excited about the use and application of ‘value-added’ in the global development cooperation discourse. To them, the concept had so many overlapping, and at times conflicting, meanings, that it was not considered particularly helpful for any serious analytical debates. After all, in practice, any donor can decide to be a lead partner in any sector of its choice. The criteria to ‘add value’ to any sector or thematic area appears to be defined by donors as the length of time one has supported a particular sector and/or thematic area, the resources one is able and willing to invest, and one’s own assessment of the intellectual capacity of one’s aid bureaucracy in the donor country in question. For most bureaucrats in Tanzania, the concept of value addition is considered essentially a donor – in this case, Finnish – ideological ploy for mobilising tax payers at home to continue supporting the international aid regime. ‘Finnish value-added’ is obviously a political concept. More critical-minded people think that FVA might be better understood as the use of soft power to achieve particular interests: to influence, manipulate and convince the target populations to behave or respond in a preferred way.

When looking at how the actual FVA, or particularly Finnish contribution, has been perceived in the South, a more fragmented picture came to the fore. In Tanzania, where the Nordic identity is still strongly alive among the Tanzanians, the Finns are taken as being more or less like any Nordic country, although those better acquainted with the aid system know that Finns operate with fewer resources. When a Finn talks to Tanzanians who have worked in Finnish projects and tries to find out how these projects have been perceived, it is impossible to get an overall view: the tone is mostly cautious and polite, although in addition to appreciative opinions one may also hear some criticism. Clearly it depends on many things: with whom they worked and when, and also who is asking. Perhaps the relevance of the whole question is not apparent? In Nepal, formerly a Hindu kingdom still with its very strict caste hierarchies, what strikes the partners is the egalitarian attitude that the Finns display in their dealings with people. In Nicaragua, we were reminded of a barrier between donors and recipients that the Finns are a bit slow to detect – or when they detect it, they take it in the wrong way. This is the barrier between the one donating and the other one receiving and becoming indebted. A great deal of ‘face’ has to be put into play because of it. The same sort of situation undoubtedly also exists also in other countries.

In Nicaragua, we also obtained the most nuanced description of the perceived value of the Finnish aid programme as a whole. When the Nicaraguans were asked what is historically most valued about Finnish cooperation on their side, things

such as the mediation efforts in rural development, SWAP (discussed above in Chapter 6), or the pioneering regional (Central American) forestry programme called Procafor, are mentioned as being highly valued. The latter apparently qualifies because of its contribution to peace in the violence-ridden area. Interestingly, even the relatively limited amount of funds that Finland has been able to provide are seen as having added value to a project or programme. One, obviously rather pro-Sandinista, view mentions among the main achievements of the Finns how they, here also together with other Nordic countries, supported the Sandinistas in the 1980s with ‘cash’, and how the livestock producers support programme called Prodega promoted peace through the idea of cooperatives as economic organisation instead of ‘war mobilisation’ in an anti-Sandinista zone. As the local people said: “*Nuestro compromiso es con el dinero*” (our compromise is with money).

Commonly, Finnish cooperation is seen as an integral part of a system of international donors following an international agenda, but Finland is doing it in its own way, retaining its own identity and adding a Finnish ‘flavour’ to it. We have interview-based evidence on this view only from Nicaragua; but impressions gained in Tanzania and Nepal indicate the case is probably similar there as well, although the flavour clearly varies from country to country and time to time. In the 1990s Finnish aid embraced the environmentalist agenda, as did all donors, but the Finnish flavour was a combination of forest exploitation with conservation. In Nicaragua, the Finns also promoted cooperatives, but only those aiming at advancing entrepreneurship. In the 2000s the Finns participated in the international ‘decentralization’ agenda, working with marginal municipalities and introducing participatory processes within state institutions. In the 2000s the Finns, too, adopted the Paris Declaration. However, at least in Nicaragua, its application had the ‘flavour’ of constructing bridges among donors and between donors and the government; and creating a regional programme in cooperation with regional and national institutions. In general, the Finns have repeatedly been willing to pioneer in places which are ‘behind the back of God’ and where other donors do not like to work, such as Boaco-Chontales in Nicaragua, and Lepaterique in Honduras, or Mtwara and Lindi in Tanzania.

Where does such Finnish ‘flavour’ come from? Are there some traits or predilections that are more ‘Finnish’ than others? The country programme evaluators in Nepal and Nicaragua – but not in Tanzania – found, in almost identical words, “perennial Finnish concerns” which included such things as gender equality, sexual and reproductive health, accountable and decentralised governance, human rights, equality and democracy, and the empowerment of civil society. It was recognised that these may not have been exclusively Finnish concerns, but “the unique diligence” with which they have been put into practice in difficult circumstances is

“a hallmark of [Finnish] distinctiveness” (Caldecott, Hawkes *et al.*, 2012, pp. 80, 20 and Caldecott, van Sluijs, *et al.*, 2012, p. 23). From our longer historical perspective, however, these can hardly be taken as “perennial” Finnish concerns: many of them have emerged rather recently or are still in the process of emergence. They are more the results of the historical development than its prerequisites. The evaluators also refer “to a cultural feature which may be described as perseverance in the face of adversity (*sisu* in Finnish)” (*ibid.*, p. 81 and 23). This indeed may be an important ingredient in the Finnish self-image and thus in the ‘national habitus’, but as was pointed out above in Chapter 4, p. [41], it seems to work rather selectively in grounding development cooperation. Furthermore, the reason why this was mentioned in Nicaragua no longer sounds very convincing: it was because Finland did not follow other European countries in a hasty withdrawal from the country. More than *sisu*, the driving force now seems hesitancy and slowness.

Among other supposedly Finnish “performance attributes” noted by the Synthesis study, including honesty, inoffensiveness or unobtrusiveness, neutrality, flexibility, focus, effectiveness and efficiency; few were explicitly noted in the country evaluations, nor did we encounter many in the field. Nonetheless many of them were in one way or another implied. Things such as neutrality, inoffensiveness and unobtrusiveness were clearly mentioned in the Nepali evaluation, where these attributes were seen as having enabled Finland to successfully engage with stakeholders from opposing sides in the conflict. In addition, a “Finnish tendency to work cooperatively with others” was noted both in Nepal and Nicaragua (Caldecott, Hawkes *et al.*, 2012, pp. 81 and Caldecott, van Sluijs *et al.*, 2012, p. 81). It may be that the “reservoir of trust on the part of the government towards Finland”, which was mentioned as the main strength of Finland’s programme in Tanzania was due to something similar (Caldecott, Valjas, *et al.*, p. 23). In South East Asia, it was suggested to us that the Finns’ cultural attitudes mesh well with the values of the people of South East Asia. Unlike people elsewhere who talk and are vocal but do not do things, Finns like to “get things done” and “do not like talking about things too much.” In general, in our own interviews it became clear that Finns are commonly thought of as practical people, inclined to seek compromises before controversies, and willing to work in the field.

On the other hand, the Finns were also seen to have their strengths combined with weaknesses. Although they may be good in the field, the achievements of Finns often do not extend into the national and international arenas. The experiences gained in the field are not often brought to bear on national policy dialogue. Previous forestry and water projects in Nepal are a good example. Elsewhere, e.g. in the Tanzanian forestry programme, the link between the field and national policy has been stronger. But even in forestry, the connections between the field-

level experiences in the South and participation in and influence on international organisations and spheres are tenuous. “The Finnish people have tremendous ideas and experiences in forestry and other things, but unfortunately they are unable to take the lead (*protagonismo*) in the international arena,” one senior forestry expert in Nicaragua said, referring to what he thought were disappointing achievements at FAO and in the EU. Whether such weaknesses stem from the proverbial Finnish introversion and reticence is difficult for us to say within the confines of this small study; but obviously the lack of talkativeness was not equated with a lack of capacity to act, rather the contrary.

8.2 Southern critique of aid

All the national and personal differences and nuances notwithstanding, a fundamental criticism of aid is gaining ground in the South. It is the reminder that the international volume of Official Development Assistance, ODA, is much below its 0.7 per cent of GNI target and a considerable part of it is ‘phantom aid’. This phantom aid is tied, poorly targeted, and overpriced funding which is called ‘aid’ but may benefit the donor more than the recipient. However, the critique goes much beyond this superficial quantitative level. The main premise of the critique is that the workings of the aid system are ridden by fundamental contradictions. Despite all the infusion of aid, the economic, social and environmental conditions in poor countries, and particularly countries in sub-Saharan Africa, are not much better and in some cases actually worse off than they were 30 years ago. Two main reasons are suggested as to why aid works so poorly. One is that the motivations of aid are self-interested: and the Southern critique acknowledges that they are so on both sides. The second is that there is a fundamental power imbalance at work that gives the other, more powerful, side much better possibilities to drive home its interests. In this view, ODA is an instrument of statecraft which enables Western donors to influence would-be partner developing countries by rewarding and punishing them.

In this view, all the talk about aid promoting development is marshalled essentially to rationalise the self-interested motives of key actors on both sides of the aid partnership. On the one hand, these motives represent the interests of donor and recipient governments, and on the other, those of business and non-governmental organisations on both sides of the aid relationship. The interests of the poor people are used as a cover for other, undeclared vested interests.

Aid has traditionally been used as a political instrument of the powerful for the promotion of political, economic and social alliances, manipulation and even coercion of the weak recipient partners. Although weak partners tend to regard aid

as an obligation of rich countries, and aid recipient governments have historically embraced the changing conventional wisdom in supporting foreign aid, they are quietly resentful and are suspicious of the donors' commercial, ideological and security interests that are served by the aid regime. (Mikessel 2009, pp. 3-5.)

Even this critique recognises that poor countries do in fact need aid for their national economic development effort. Governments request aid in order to overcome their powerlessness, strengthen their independence, and acquire the necessary power base for participating more effectively in the global political economy now and in the future. Above all, it has frequently been mooted, in various forms, that politics rather than economic development tends to be the major objective and motive for aid requests. All too often, recipient public policies are at variance not only with their hidden own self-interest agenda of political survival, but also with the public policies of their major donors. Politically highly visible investment projects like rural water and sanitation projects, wide roads and large transport systems, and sports stadia, would make more political sense to statesmen than either social or economic transformation, or the creation of national strategies for aid reduction and its eventual elimination. Projects that result in tangible and visible assets are more likely to augment a recipient government's political legitimacy, guarantee stability, and serve as power resources for patronage politics (Rugumamu 1997). Most economic studies that examine the impact of aid on economic growth find a consistent pattern of results: only in a very few countries, for example, Korea, Malaysia, Taiwan and Israel, did aid promote the increase of the respective countries' aggregate savings, encouraging investment and growth. As Roger Riddell (2008) concluded: aid works best in countries that do not need it.

Even the Millennium Development Goals and the Paris Declaration are not seen to have changed attitudes. It has been claimed that the MDG framework makes greater demands on developing countries than on developed countries: only Goal 8 – to develop a global partnership for development – addresses the responsibilities of developed countries. Most of the MDG indicators, 35 out of the total of 48, directly concern developing countries. The implementation of the Paris Declaration is seen as being driven by the interests of the donors and northern NGOs and focusing on the technical aspects of managing aid at the expense of development outcomes. Changes in coordination practices remain few and far between. The recommended practice of joint missions, for example, remains poorly implemented. Even in the few joint missions that are carried out, the responsibilities of the developed countries are annoyingly down-played. Most of the resources have been allocated to monitor the progress of policies, processes and programmes in developing countries. Above all, donors are seen to have sought to micromanage many of the day-to-day functions of governments by specifying the detailed steps

countries must take to improve policy, and by using TA as gatekeepers of their respective projects.

The UNECA and the OECD (2009) joint report, “*The Mutual Review of Development Effectiveness in Africa: Promise and Performance*”, indicates that there has been very slow progress in meeting most of the targets set in the Paris Declaration. It notes that most recipient countries have in fact introduced the needed changes in their country systems in order to meet the high levels of compliance set by partners as preconditions for aid. It further notes that donor reforms are lagging far behind. While there has been significant progress in untying aid, as well as aligning and coordinating technical assistance (TA), there has been little improvement in recording ODA in recipient countries’ budgets, reducing aid unpredictability, coordinating donor missions, and/or reduction of the overall transaction costs of aid delivery. Worse still, aid unpredictability remains a common feature of the post-Paris Declaration aid delivery system. On average only 45% of aid is delivered on schedule. This is detrimental to effective budgeting, planning and implementation, thus affecting development outcome. It is estimated that about 25% of aid value is lost as a result of the unpredictability of aid flows.

Such bleak assessments should come as no surprise, the critics say. Development cooperation is not a technical exercise with the aim of simply maximising development effectiveness on the basis of a model agreed upon by all participating actors. It is a political process based on value judgments, interests and negotiations. However the prescriptions for more and better aid delivery and management are divorced from power and political dynamics, and from relations that impinge on aid. Therefore discussions and debates fail to engage in an analysis of the asymmetries of power between aid givers and aid receiving countries. Both donors and partners often have other interests besides the goal of maximising development effectiveness. When these other interests interfere, the recipient can and will be punished if they do not live up to expectations; but there is a real lack of real sanctions for donor countries failing to keep their promises. Donors are only accountable to their respective home constituents. They are accountable neither to recipient governments nor to the poor people. When things go wrong, donors blame recipient governments and their citizens. Recipient governments and their citizens have had very limited scope to hold donors to account when the donors failed to meet their side of the bargain, beyond “naming and shaming” or exhorting donors to change their ways.

Related to the above problem is the problem that there are very few credible international fora where even a symbolic gesture of disapproval of donor behaviour could be made. Expressing disapproval is further complicated because most aid-dependent governments would find it too risky a strategy to embarrass the hand the feeds them. In this context, the establishment of the UN Development Coopera-

tion Forum as a platform for dialogue among stakeholders is welcome, and should be strengthened. Similarly, the launching of the African Platform for Development Effectiveness coordinated by the AU Commission and the NEPAD Planning and Coordinating Agency, is another bold step in the right direction. The latter seeks to mobilise voices and participation as well as facilitate intra-African learning and knowledge exchange on aid effectiveness, South-South cooperation, and capacity development.

Finally, the critics remind us, it has become increasingly clear that the effectiveness of any development policy does not hinge on aid only, or even in the main, but on the effects of other policies which, intentionally or unintentionally, may support but at the same time impair development cooperation efforts. This recognition has brought into sharp focus the urgent need for development policy coherence at different levels. It has been now extensively documented that some of the EU policies and practices continue to undermine the economic, social and human development of developing countries. The EU's trade, migration, agriculture and fisheries policies, for example, have counteracted its development policies.

8.3 Opportunities for aid and FVA

Many of the defects persisting in the present aid system are commonly recognised; but its supporters and critics disagree on the weight given to them and on the conclusions they draw from them. Few of even the most ardent critics of aid advocate its immediate scrapping. They agree with the mainstream view that, given the degree of continuing dependency on aid in many countries, an immediate phasing out of aid would lead to a short-term social disaster: a closure of thousands of aid supported schools and clinics, an end to the HIV antiretroviral, malaria and TB programmes, and emergency food supplies to war victims. Whereas the supporters of the aid system call for gradual but systemic aid reforms coupled with significantly increased aid portfolios, however, the critics propose a systematic *reduction* of aid with a view to the planned phasing out of all aid over a longer period.

For such a scenario to be realised, the transition period for phasing out aid should vary from continent to continent, country to country and sector to sector, but it should everywhere be long enough and it must be very carefully planned. At this point, we would like to ask what Finland and Finnish aid could and should do to contribute towards setting such a broad process in motion, and what the possible Finnish value added (FVA) in such a scenario could be. We have compiled a short list of concrete suggestions from the recipient side, which we present below:

- Foreign aid interventions in the South will have a short-term positive value addition to the recipient side if they result in higher public expenditures than

would otherwise have prevailed; more schools, more water supplies and better sanitation, better technologies and skills, etc. However, both donors and recipients should appreciate the truism that every foreign idea, value, knowledge or technology has a historical, institutional and structural context. There are no universal values and no knowledge that can simply be transferred, used and adapted without conscious unpacking of the contextual processes before use. This requires the Finnish aid to support the development of institutions, policies and strategies in recipient countries that will effectively participate in development problem and solution identification, project/programme design, project implementation, and monitoring and evaluation (M&E).

- Despite some setbacks with general budget support, Finland should strive to keep up the use of country systems where ever possible. In this spirit, Finland should carefully appraise the capacity of the recipient institutions, that is, the government, the private sector and the civil society organisations. Such an appraisal will help Finland make a conscious effort of build and strengthen capacities where they are weak, understand the recipient culture and etiquettes, treat government senior staff as equals, recognise opportunities for mutual learning and exchange of ideas, and above all, eschew temptations of withdrawing funds when minor conditions and requirements are not fully achieved or infringed.
- Increased transparency is essential. The Paris Declaration does not detail the types of information donors should provide. From recipient perspectives, planning and oversight require information that is disaggregated by sector, actor and purpose. Finnish aid will add credible value if it provides information on which funds are allocated to the country office, to the recipient Government, to NGOs, earmarked for TA, to be used for aid administration at the Head Office, and for training. Transparency is also needed if Finland as the donor fails to use recipient country systems or provide committed funding with the agreed conditions or applies additional conditionalities. Whenever this happens, Finland should clearly explain the reasons why.
- Aid would add value to development if the development enterprise looked beyond aid. To be sure, aid is not necessarily the most important factor determining the impact on poverty reduction. Efforts should be made to promote policy coherence for development across sectors so that they do not work at cross purposes. Policy coherence for development should seek to promote development synergies especially in the following areas: (i) aid, (ii) trade, (iii) investment, (iv) agriculture, (v) migration, (vi) climate change, (vii) environment, (viii) fisheries, (ix) security, and (x) technology.

8.4 Conclusions. Beyond Aid: Policy coherence and exit strategies

The call for policy coherence is, of course, ubiquitous in the mainstream development policy now. The question is its practical implementation. The type of policy coherence advocated by the EU can be called weak coherence: it requires only “taking account of development objectives.” While it is hardly realistic to expect the donor countries to declare the development of the South as the main aim of all their policies, there is much room for seeking more tangible practical solutions for promoting stronger synergies of development policy with different policies. Finland could and should contribute to these.

One example in our materials of going ‘beyond aid’ is the discussion above of ODA and migration and remittance in Nepal. Studies show that remittances have played a crucial role in reducing poverty; and in this regard the ‘remittance economy’ has had a much more important role than ODA. The question now is how to relate migration and remittances to discussions of ODA. For Finnish–Nepali relations, remittances are already a reality. Perhaps a study should be made of modalities that could be put in place to allow for more Nepalese to legally work and pay taxes in, for example, Finland, and send back money to their families in Nepal; and for the Nepali government to tax a portion of that remittance income for use in development. South Korea is making an interesting attempt in this regard. They are administering Korean language exams in Nepal and recruiting a fixed number of Nepalese annually for a fixed period.

At the same time, when continuing such efforts, we should start to dare to believe that a world without aid must be possible, even while we acknowledge that it is not something that is easy to create, and that it cannot be achieved in a short time. The forms and time frames of phasing out aid, in the form we now know it, must vary from country to country. As a first step, support is needed for empirical studies to come up with development strategies that would bring an end to aid as an instrument of development, and chart realistic aid exit strategies.

9. FINNISH VALUE-ADDED AND EFFECTIVE AID: CONCLUSIONS AND RECOMMENDATIONS

In this study we have looked at various forms of ‘Finnish value-added’ (FVA) in development cooperation, both those explicitly labeled as such and those implicitly thought of as ways in which Finland can ‘add value’ through its development activities. We have argued that such particularly Finnish added value has been seen to come from two different although partly overlapping sources. FVA has been seen to stem from something that is taken to be peculiarly ‘Finnish’, be it technology, expertise, and skills, or broader attitudes, values, and patterns of behavior. Alternatively, the origins of FVA have been sought in something more general, in the qualities and traits that the Finns involved have learned and acquired during their years in development cooperation and can now bring to bear on their activities as a part of wider donor constellation. Our argument has been that, although the latter view has become more widespread with recent changes in the international aid ‘architecture’ and the dialogue machinery mushrooming in partner countries, a belief in ‘Finnishness’ as the source of value-added has also become more common in the Finnish thinking. It even seems to continue in the latest Finnish Development Policy Programme, that for 2012. While discarding FVA as an explicit policy notion, it nonetheless singles out some basic Finnish ‘strengths’, such as consistence, perseverance, and good ability for cooperation, as the bases on which Finnish development cooperation should continue to be built.

We have seen that not only the ideas of what might constitute FVA but also the practical ways and modalities used to deliver it have greatly changed during the half century of Finnish aid’s history. It started as aid-funded export of what was regarded as competitive technology and experience for modernisation purposes. This changed when Finland’s aid funds were slashed during the depression of the early 1990s; and Finland had joined the EU and finally become anchored in the West. Finnish aid was then transformed into a drive for poverty reduction through the export of the liberal values of global capitalism, based on a market economy. A megatrend has been the transition from more technologically-oriented towards more value-based aid. When the demand for coordinated donor division of labour intensified, culminating in the Paris Declaration and its successor documents, the need for Finland to define its own specific place in the new international aid complex became more acute. FVA was for the first time defined as a specific policy concept in Finland’s 2004 development policy paper. There it was sought in Finland’s own development experiences, which had somehow gained a strong resemblance to global liberal values. The 2007 policy returned to a more technologically and

commercially oriented approach, while the 2012 programme forcefully brings back the value-orientation but without the backstopping of the FVA concept of itself.

We will now present our ten main conclusions in the form of ten ‘theses’ (in italics) with eight policy recommendations arising from them.

An overriding concern behind the quest for FVA has been the idea that the funds Finland is able to provide for international aid are and will remain small, and something else should be added to them, preferably something in which the Finns feel strong and competent. In the Finnish discussion of development cooperation, one occasionally hears the concept of ‘check project’ used disparagingly: just handing over money does not sound like a good recipe for aid effectiveness. Being a ‘small donor’ with limited funds that have to be used efficiently and effectively is part of Finland’s donor self-image; compared with others Finland is a small donor indeed. But looked at from another angle, the roughly one billion Euros Finland is now allocating to ODA is no mean sum, either in Finland or in the partner countries. We have seen that the partners are quite happy to partake of it. Often it seems, and is sometimes said out loud, that they would be happier without any “Finnish” additions, be it technical assistance or policy advice. In Nicaragua, ‘cash’, both as such and as an indication of political support, is remembered as one of the main value additions that Finnish aid has made. In our other countries as well, there is a clear view that FVA as aid funds of any type can make a positive value addition to development cooperation, if these funds result in higher public expenditures than would otherwise have prevailed: more schools, more water supplies and better sanitation, better technologies, etc.

1. *Development aid funds are valuable in themselves. They entail political support and higher public expenditure. Partners might often be quite happy with them even without any further attempts at value addition, Finnish or otherwise.*

In concentrating their development efforts on tasks in which they feel competent, the Finns have also sought to find targets which seem beneficial to both the recipients and the donor. This is a very natural and quite common donor desire, in no way limited to Finland, although in their case the search may be uncommonly pronounced. Several others, including Sweden, Denmark and the Netherlands, have recently talked in similar terms. However, the Finns have done it in their own way. Whenever Finns have followed the international developmentalist agenda, this has taken place with lags and differing emphases, stemming from the peculiarly Finnish instrumentalities. Thus Finnish aid has gained an own identity of its own, attaching a Finnish ‘flavour’ to the international agenda both in policy declarations and in the field. Furthermore, this flavour comes to a large extent from the various ways that

FVA, in the broad sense of the term, has been sought and applied in Finnish development cooperation.

Nonetheless, the question remains, is there something peculiarly or uniquely ‘Finnish’ behind the quest for value added, or not, and if there is, what is it. There is a huge discussion in social sciences about the relationships between society, culture, and the individual. Without going deeper into that discussion, we wish to say that we do not believe in the existence of an essential and unchanged ‘national character’ that would largely determine the behaviour of the people. However, we still think that environment, culture and history, including differing colonial experiences, have shaped, to quote Norbert Elias’ suggestive concept, a certain ‘national habitus’, which does affect the way people think, talk, and act. In the Finnish case those forces have been strong enough and peculiar enough to produce a quite distinct habitus. What it presently consists of, and how it is changing, is a matter of controversy; and it has not been our research task to think about its ‘real’ contents. Nevertheless, as we have seen, on the Finnish side things like ‘consistency, perseverance, and good ability to cooperate’ have been consciously attached to the Finnish habitus; while on the partner side at least egalitarian manners, a tendency to talk less and act more, a predilection to work in the field, and a constructive rather than a contrarian approach in conflict situations, have all been mentioned. Qualities such as honesty, inoffensiveness, neutrality, focus, effectiveness and efficiency were mentioned by the Synthesis evaluation as possible ingredients of FVA. ‘Unobtrusiveness’ was singled out as a major characteristic of the Finns (Caldecott *et al.*, 2010, 24, 92-93). Although few of these were explicitly mentioned in the course of our limited study we could detect many of them being in some way implied in the way the partners spoke of Finnish working manners. What cannot be forgotten is the endless interest on the part of the Finns to find out what others think of the Finns.

2. *In their development cooperation the Finns have largely followed the international development agenda but with lags, and emphases of their own. It has been development policy with a Finnish flavour. That flavour arises to a great extent from the various ways in which Finnish value-added has been sought and applied. Underlying this FVA one can discern a certain Finnish ‘national habitus’.*

Even if such a national habitus exists, it would not be directly reflected in practice. It would be mediated through a variety of channels and affected by myriad contextual factors. As argued at the outset, the major function of the search for FVA has been related to the justification and legitimisation of the participation of Finland, and the use of Finnish resources, in global development efforts. There have been

two major ways of attempting to do this. The first has been, in our terms, largely ‘instrumentalist’: to allocate the aid resources, which Finland has internationally committed to make available, to purposes which at the same time as they benefit the recipients also benefit certain Finnish short-term interests, be they political or commercial interests, or the promulgation of ideals and values. The other use, which has gained more weight as time has passed, is more ‘developmentalist’: to think how the available Finnish resources could best be deployed as a ‘comparative advantage’ in well managed aid in collaboration with other donors and partners. The first use is directly justificatory: its purpose is to show to the domestic public that whatever happens at the receiving end, the all resources will not be ‘completely wasted’ and end up in the mythical bottomless “*well of Kankkula*.” The second use can be and is for purposes of legitimisation, but there the argument is rather different. The purpose of this second use of FVA is to make sure that limited resources are best utilised in a way which is likely to lead to developmental outcomes and development impact. Funds alone are not enough; it has to be made sure that they are used effectively.

The first, directly justificatory and instrumentalist use has been historically strong in “development cooperation with a Finnish flavour”. This was the dominant policy line in the 1970s and 1980s, in the guise of promotion of Finnish commercial interests through aid procurements. It made an astonishing comeback, although modified by the demands of the new development thinking and the EU competition legislation, during the 2007-2011 policy period. It has been widely held in development research and discussions that aid of that kind, tied to commercial interests, is detrimental to the achievement of developmental results efficiently and effectively. Our cases in this study corroborate that well-established view. It hardly comes as a surprise that this type of search for Finnish-value-added in the early technology transfer projects, like those in Tanzania, led to wasteful use of resources and unsustainable results. The important point is that in spite of these well-documented experiences, a similar line was adopted in the 2007 development policy and was with great pains implemented in the field, the MFA machinery bending to toe the line of the Minister. We did not have a proper field study on this, as it took such a long time to change the course that the actual projects have only now barely begun, but the case of the Environmental and Economic Partnership in Central America, where the participation of Finnish enterprises was given much attention at the beginning, strongly suggests that a commercial reading of FVA continues to produce poor aid effectiveness.

3. *Traditionally FVA has mostly been sought by providing aid in a way which would also benefit Finnish short term interests, among which the commercial*

interests made a partial comeback in the 2007 policy turnaround. We have found nothing to contradict the well-established view that commercially motivated aid continues to be detrimental to aid effectiveness, if the latter is understood as the achievement of developmental effects and impacts in through efficient administration in a cost-efficient manner.

In addition to commercial instrumentalities, political ones have also been influential in Finnish development policy. The basic dogma in the Finnish development policy doctrine is that aid and other development policies are part and parcel of Finland's foreign policies. In the early years the political function was submerged, however. The drive to use development aid policy to prop up the Nordic and thus Western profile of Finland was not something that could have been publicly boasted of. At that time, the political considerations might actually have enhanced developmentalist aims and worked in favour of aid effectiveness, as they pushed Finland to follow its Nordic neighbours where these issues were given more serious attention. In Finland, however, commercial considerations overran these efforts, leading to a fragmentation of aid among a great number of recipients and a variety of modalities and instruments. When the political conditions changed and the EU replaced the Nordic countries as the official reference point of Finnish aid, the demands of the EU's global-wide foreign policy boosted the fragmentation tendencies. Aid fragmentation continues to be a generally recognised problem, reducing as it does the effectiveness of Finnish aid which now goes to over 50 countries and employs dozens of different channels. Fragmentation is facilitated by categories like 'other partner countries', or modalities of aid such as concessional credits, which so far have defied the attempts of various past Ministers to get rid of them.

One can, however, ask whether fragmentation in fact is such a big problem for aid effectiveness in today's development architecture with its main principles of recipient ownership and donor harmonisation and alignment. From the recipient's point of view, if the system is working properly, it should not matter how many donors there are in one sector or topic as long as all donors contribute what they have committed to contributing, and arrangements for the lead and delegate donors are in place. There are complications, however. The main one is that in very few if any countries is the system working properly: as we saw in Tanzania, the celebrated overall dialogue structure has started to go wrong, and in the forestry sector case, even if there is in fact a long-standing programme funding arrangement in place, fragmentation may take place outside it.

The main problem with fragmentation, however, is that for a donor with limited financial and human resources such as Finland, it makes it impossible to become well acquainted with the working environments of even the main partner countries.

The social, political and cultural systems in developing countries are intricate and difficult to learn for the donors, who tend to remain in relative isolation in the capitals. It takes time and effort to gain even a superficial working knowledge of them. Yet it is coming increasingly clear that development interventions are not packages which can be mechanistically replicated from one place to another; their functioning and success depends largely on the local context. Among our cases this is shown by the impossibility of replicating the Environmental and Economic Partnership in the same form it had in Central America by simply transferring it unchanged to Africa and the Mekong region, with their differing requirements and contexts. The knowledge of a particular context has proved to be the key to any successful action; acquiring that knowledge requires a presence that is long and deep.

4. *Fragmentation of aid continues to be a problem for aid effectiveness even in today's aid architecture. It comes from the ways value-added has been sought through not only commercially but also politically motivated aid aimed at presumed win-win situations. The way to counteract fragmentation is to concentrate aid to the extent that it will be possible to properly learn to know the social and cultural environment – the 'context' – of the partners.*

Finnish value-added (FVA) has also been sought from a catalytic effect that a smart contribution could produce within a larger whole. This could be part of a larger package, something in which Finnish aid joins its limited resources to those of the others in order to achieve something that is desirable to all but would be beyond the means of any of them acting alone, and where the value of the original contributions would be enhanced by bringing them together. Basically all participation in multilateral organisations follows this logic. Alternatively, the Finnish contribution could be something given as a form of "seed money" to produce a leverage effect to multiply the value of the original contribution.

We looked at two more recent and innovative projects among such endeavours, and found that there is in fact a great deal of unused potential here. The Trust Fund for Environmentally and Socially Sustainable Development (TFESSD) that Finland has been, together with Norway, funding at the World Bank, has been quite a success story. With a relatively small financial input, Finland has been able to influence the policies of the mighty World Bank. The Energy and Environment Partnerships (EEPs), which are meant to create replicable public-private partnerships (PPPs) to promote the use of renewable energy in a few of developing regions, provide a more sombre picture. The original EEPs in Central America have not met many expectations; and it is by no means guaranteed that the successors will fare much better. One defensible argument, however, is that the problems with the EEPs so

far are more due to flawed implementation, and perhaps in the design of the EEPs, than to flaws in the basic concept itself. However, it is not clear whether the regional approach is best suited for this type of endeavour.

- 5. Value addition through targeted catalytic contributions has much potential. Multilateral organisations are not easy for small donors to influence; but our Trust Fund example shows that it is possible even in the case of the World Bank. More complicated partnership arrangements with 'seed money' investments need careful analysis of the reasons for the difficulties so far.*

We have identified the transition from more technologically-oriented towards more value-based aid as a megatrend in Finnish development cooperation and argued that the former is hardly conducive to aid effectiveness. We now ask if more value-based aid any more effective. There is actually relatively little documented evidence of this. In our study we examined the question from two angles. First we followed how the interventions in the forestry and rural water sectors have shifted from the provision of Finnish technology and know-how toward more value-oriented modalities minimising the physical Finnish contribution; then we examined how the promotion of gender equality has worked in practice. In the former case, even if the evidence is scanty, it seems possible to make the case that the transition to value-based aid has improved aid effectiveness. However, this effectiveness is due to one major factor, increasing popular participation; and it is a moot point whether this applies only to projects such as those exemplified by the water projects in Nepal and Ethiopia. Results from budget support, both general and sector-specific, and other programme aid are mixed at best; although there are some success stories. The case of gender promotion brings in further complications.

What has happened with gender equality (GE) is a good example of the problems of value added that Finland has encountered in its endeavours in more value-based aid. Despite high political visibility and even with assumedly correct policies in place, the resources devoted to gender equality have not matched the rhetoric. Much of what has been undertaken has originated from outside, coupled with diffuse ideas of Finland as the pioneer of women's political rights, rather than from a careful analysis of Finland's own GE experiences and their potential applicability in other contexts. As regards gender mainstreaming, 'policy evaporation' has taken place. Gender mainstreaming has become everybody's task and nobody's responsibility. Our case study from Nicaragua shows the kind of unexpected difficulties even long-term sustained efforts at gender equality may meet when the political realities on the ground change. Obviously, NGOs are no panacea either in complex political situations, and 'strengthening civil society' is easier said than done.

The reasons for such an underperformance in the case of GE have been sought from things such as the thinness of political commitment, and the focus of discussions in donor organisations on processes and structures, rather than looking for reasons among the substantial outcomes of their policies and practices. Donor organisations have no doubt played their part. Nonetheless, there are severe theoretical problems related to gender equality and gender mainstreaming, which suggest that the promotion of gender equality as a right, or of gender mainstreaming as a goal, is a more complicated and, above all, more political task than it was understood to be in the early 2000s. At that time, the new set of gender commitments and analytical tools seemed to be ready to pave the way for a smooth, technical implementation process of achieving gender equality. It may well be that despite their apparent critical edge, neither development thinking nor most of the feminist approaches around, and their accompanying gender analyses, have ever adequately captured the driving forces and dominating features of the actual gender systems of developing countries. If this is so, then the proposed solutions will deal only with donor organisational matters or will remain superficial quick fixes.

The positive message is that none of this has deprived Finnish development cooperation of its potential for making GE promotion part of its value addition. In this is to be the case however then care must be taken that a single, particular cultural or political interpretation of the broad principle of GE will not unquestioningly be raised above the others. It also should not be assumed that the gender experiences of Finland or any other donor could simply be transferred to entirely different, exotic contexts.

What is said of gender equality here can be taken to apply as well to the promotion of other liberal values through development cooperation: they are ideals that may be broadly accepted in Finland and other donor countries, yet they and in particular their implementation are politically contested issues which cannot be resolved by seemingly apolitical and 'technical' means. Questions such as the relationship between the state and market, the individual and the society, and political and social rights, are the core stuff of political debates in which people legitimately hold differing views and on which differing lines of thought emerge, wane and re-emerge. Different times and circumstances require different solutions. Solutions cannot be transported from one country and historical situation to another, but have to be renegotiated and agreed upon within the political processes of the countries concerned. In the world of the 21st century, the individual states can no longer stick to absolute sovereignty; but neither can the donors impose their preferred solutions on the recipients. Donors themselves can only be one of the participants in the discussion.

6. *There is potential in value-based cooperation, but the disappointing results of the promotion of gender equality so far suggest that value-based work is more complex and demanding than previously thought, requiring a fundamentally different approach to produce effects. Values cannot be transported from one country and historical situation to another, but they have to be renegotiated and agreed upon in the political processes of the countries concerned.*

The post-Paris Declaration era has to some extent shifted Finnish aid delivery modalities from project aid to programmes and budget support mechanisms. Lately however, there have been setbacks on all fronts: budget support and programme aid has not functioned as smoothly as expected, as shown in our examples from Tanzania and Nicaragua; and projects have made a comeback. Nonetheless, these years have engendered arrangements for donor alignment and donor division of labour in many partner countries that require the donors to define their ‘comparative advantages’ and agree on which role they will take in the sector or task concerned. Thus the concerns for Finland’s ‘strengths’ or comparative advantages might seem to be justified in terms of donor division of labour, with each donor focusing in areas of development cooperation in which a given donor is relatively better than other donors.

However, the very fact that such arrangements are seen as being needed brings home the point that in these days there must be a great deal of varied competence in all sectors, not only among donors but in the partner countries as well. From the recipient’s point of view, the key issue is not the different ‘strengths’ the different donors would like to offer, but how to achieve the best possible end result in a particular situation with the resources that are available. Then, any offers of a special contribution or value-added from any donor cannot not be assumed to be as self-evident as proclaimed by the donor concerned; rather, these ‘special contributions’ need to be negotiated on the ground. The point of departure for negotiations should be the recipient country’s own development plan (based on its needs, which in turn are based on their internal political negotiations) and not the supposed donor strengths. For the moment, donor offers of value additions are based on the donors’ individual views. The basis of these value additions is unclear not only to the partners but to many of their donor compatriots; and they are often contextually detached from the partner country realities.

7. *In the present aid architecture, the best way for Finland – or any donor – to provide value-added is that they aim at the greatest effectiveness and undertake their work accordingly. What an “effective” Finnish aid contribution can be in practice varies from one case to another, but it is not something that the Finns*

cannot unilaterally decide among themselves. It has to be negotiated and constructed on the ground in collaboration with partners and other donors.

We noted above that from the perspective of many partner countries, even though Finnish development cooperation is seen as an integral part of the international donor agenda, it nonetheless retains its own Finnish identity and flavour. However, we do not see this 'Finnishness' as arising from any isolated, real or assumed cultural features, which arguably are often not even unique to the Finns but shared by many others. Rather this Finnish 'flavour' arises from something more fundamental, that we have called a national 'habitus'. Often it seems as if there were a mental model behind a set of connected Finnish activities, but it is not recognised as such, and when the people involved are asked, they may even deny its existence. We have suggested that, in forestry at least, such a model is fairly evident; and, more tentatively, another instance of the Finnish '*habitus*' may be found in rural development, at least in Nicaragua. When circumstances change and the dominant developmentalist discourse changes, the model will be adapted. For instance, in the 1990s Finnish aid embraced the environmentalist agenda, as did all donors, but their Finnish flavour was to do it by combing forest conservation with sustainable exploitation. In rural development, they have been willing to test several participatory approaches and pioneer in areas where other donors do not like to work.

On the other hand, the crucial role of the human factor is evident. Individual Finns have their own ways of thinking, acting, and working. The right people in the right place, or the wrong people in the wrong place, make a huge difference. This applies all the way through: from the Minister at the top of the hierarchy to desk officers and advisor in the embassies, and TA and other staff running the activities on the ground. However, as modern social theory teaches us, and the ideas of a 'national habitus' and backdrop 'models' imply, individuals act only as part of a larger social and political processes and within structures that are not of their own making. They carry their historical and cultural package with them; they work within the parameters of the present aid system and discourse; and they work in specific social and cultural environments which are likely to be very foreign to those they are used to.

Many skills are required from the people working in development cooperation, at all levels and in different functions, and the requirements made on these people vary from task to task and change as time goes by. Such skills are not automatically provided by any cultural traits, whether unique or shared. Many of what are taken as Finnish values and qualities are no doubt admirable, although some are perhaps less so; and some, such as taciturnity and unobtrusiveness, may be strengths in one context and weaknesses in another. There are times to listen and times to talk. Some

tasks naturally call for high technical or other expertise; but technical skills have never been enough alone. In today's cooperation arrangements there are fewer and fewer tasks for which people from Europe are needed. Above all, the people on the spot should know and understand the environments in which they work, and be able to analyse the forces that affect and drive their work. Only by doing so will they learn to cooperate in the context in which they are working. Such capacities for understanding and analyses are not innate or imported from Finland: they are traits acquired in practice, born through common efforts of trial and error. They cannot be created by donor policy command. Thus donors' 'strengths' in development cooperation cannot be culled from national experiences.

Nonetheless national experiences and cultural characteristics as embodied in each different national '*habitus*' cannot be overlooked either: people may internalise them to a varying extent; but what they have they carry with them wherever they go. If used wisely, they can be a base on which international cooperation strengths (know how, capacities) can be further built. To make them useful as such a foundation, it is not enough to compile lists of assumed strengths or comparative advantages. Also, and perhaps above all, the perceived national weaknesses must be acknowledged and analysed. Finns may be inoffensive but that may add up to timidity. Finns might ask themselves why they are so often satisfied with following whatever happens to be the average mainstream and so rarely take bold initiatives themselves. We might ask if they perhaps take their concern with other people's opinions about them a bit too far. People delivering aid must know and understand the forces that affect and influence their work and these possible weaknesses, although seldom seriously discussed, are not to be discounted.

8. *The way aid works is crucially dependent on the people involved. The qualities and skills that they need are not innate or culturally determined. These skills are learnt and they and the qualities needed are acquired in practice on the ground, through trial and error; and they greatly depend on individual predilections and capabilities. Nonetheless, background cultural characteristics should not and cannot be overlooked. Adequately understood and wisely used, they can provide a basis for furthering the qualities and skills needed by individuals in international cooperation.*

Although it is individual people in the field and diplomats and advisors in embassies who ultimately are responsible for the successes and the failures of development cooperation, they work within the aid system, and the system can either restrict their agency or empower them do more and act better. This presents some challenges for the processes and structures of the MFA itself. For the moment the MFA

is in the paradoxical situation of having a very hierarchical and Helsinki-centred decision-making procedure, combined with a relatively weak management system. While many small decisions, in particular if involving any use of funds, have to be submitted to Helsinki where they may end up on the desk of the Minister; otherwise the people in the field are left to conduct their business in many respects as best they can, and are given neither much support nor many restrictions. This all makes it very difficult for them to provide 'value added' in environments that require close collaboration with the partner representatives and other donors at the country level.

Another well-known weakness of the MFA is a poor learning system and a virtual lack of institutional memory. Evaluation after evaluation complains about this. The evaluation system of MFA is organised according to all best practices, but it does not seem to produce tangible effects on the ground. We can add only a little from a value-added point of view. As our example of project trajectories in the rural water sector shows, quite remarkable learning curves can take place in Finnish aid. However, it is not clear which mechanisms this learning was based on. We also found that Finnish-supported rural development programmes at the grass root level continue to suffer from general problems such as not paying attention to the development history of 'their' villages but always wanting to start with a clean slate.

The persistence of these problems betrays the fact that there must be good structural reasons for them which may be partly the same reasons that have made the pursuit of FVA what it has been. We suspect most of them are related to what the MFA is: the Ministry for Foreign Affairs. Development policy can be only a part of Finnish foreign policy and not its main aim. With a modicum of political will, however, it must be possible to do more than has so far been done to at least alleviate if not eliminate these well-known organisational weaknesses.

9. The MFA has a very centralised decision-making structure combined with a weak management system. This is hardly ideal for aid effectiveness, although it occasionally allows the people on the spot some extra flexibility in their work. While there are no doubt good structural reasons for this state of affairs, with a modicum of political will it must be possible to tackle these well-known organisational weaknesses more efficiently.

Most of what has been said above in this chapter has been said very much from a Finnish point of view: this is hardly surprising since this study is commissioned by the MFA of Finland. Still, we have been at pains to include Southern viewpoints throughout our work. In Chapter 8 we have presented some Southern suggestions for FVA. These suggestions emphasise that funds as such are still valuable; that country systems must be used in managing them wherever possible; and increased

transparency is needed in their planning and use. The Southern viewpoint also reminds us of the need to look beyond aid. Aid is not the most important factor determining the impact on poverty reduction. Efforts should be made at policy coherence, based on the policy declarations made in both the national and international arenas, and a determined search should be made for pragmatic synergies in matters of policy. All of these suggestions are much in line with the present international development discourse, if not so much with its actual conduct; and our entire study group agrees with them.

Finally, we must still raise the question, without providing an answer, of what we actually mean by that key concept being used in present developmentalist jargon: recipient country ‘ownership’. ‘Ownership’ is something that is superficially widely agreed upon as a prerequisite for aid effectiveness, but what it actually means in practice is deeply contested. It has been our main message throughout this report that what everybody acknowledges as applying to development cooperation as a whole must also apply to any prospective FVA: the Finns do not do it alone. Whatever value is added has to be negotiated with other donors and ‘stakeholders’ on the ground under country ownership. We have also argued that the quest for FVA has mostly come from a perceived need to justify and legitimate the use of Finnish funds for development purposes. At this point we should ask what do we do, though, if what needs justification from the partner point of view is the constant offer of value-added from the Finnish side. Whose ownership will be decisive then? This is one of the unresolved contradictions in the aid system.

10. ‘Ownership’. continues to be a contested idea; and the Southern observations bring home the inherent inequality of the aid relationship. No amount of partnership rhetoric can do away with the power difference. That is why aid itself will ultimately be unsustainable, and why it has to be transcended. It is time to start thinking of a world without aid, with a clear recognition that the transition to such a world will take time.

So if these are our main conclusions, what are their implications for practice? Our policy recommendations can be presented in terms of an eight-point list of ‘*dos and don’ts*’, with a full understanding that some of them are easier to accomplish than others.

1. DO NOT take vague and contested political concepts such as ‘Finnish value-added’ as policy guidelines. They will create unnecessary confusion among the practitioners, who will try to adapt and interpret their work in terms of their understanding of them.

2. DO understand that from the partner's point of view aid funds are important in themselves, and the value of what a donor can provide in addition to funds should not be unilaterally for the donor to decide. The best 'value added' is that each donor conducts its business as well as possible. What this in any particular case entails is something that must be negotiated on the ground with partners and other donors.
3. DO realise that fragmentation of Finnish aid comes from the traditional ways of seeking value-added through commercially and politically motivated aid. Avoid these. Counteract the tendency towards fragmentation by aiming at a long and intense presence on the ground. Make 'country selection' again an issue to be openly discussed. In the case of ending cooperation with a partner, make the exit in an orderly and planned manner. Establish clear criteria and guidelines for phasing out, and maintain transition periods for as long as necessary.
4. DO understand in value based aid that the values to be promoted should be seen as broad ideals, whose actual implementation is a politically contested issue, something that cannot be resolved by seemingly apolitical and 'technical' means. DO NOT try to impose your own interpretation on your partners but be ready for possibly long dialogues.
5. DO continue with targeted contributions aiming at catalytic effects within larger wholes. However, DO NOT assume that they automatically work. Examine openly the difficulties faced so far and assess the conditions needed for success.
6. DO undertake to understand how the Finnish 'national habitus' affects and manifests itself in development work, complementing the search for perceived Finnish strengths with an examination of perceived Finnish weaknesses. Make an unprejudiced analysis of how the various background factors and organisational frameworks may affect the work of the individual people delivering Finnish aid on the ground.
7. DO recognize the importance of the individual human factor in development work. To facilitate it, pay effective attention to the repeated calls to the MFA to decentralise its decision-making, make its management system more coherent, and improve its institutional memory and learning capacity.
8. DO take the Southern critique of aid seriously. Start thinking about and discussing exit strategies, recognising the long time frame needed. Meanwhile, in spite of the inherent inequality of the aid relationship, continue with attempts to bring the rhetoric of cooperation nearer the reality. The way forward is increased transparency and honesty – on both sides.

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Interviews

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Kari Leppänen (Water and Forestry adviser, Nepal; Embassy of Nepal)

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This study looks at the quest for 'Finnish value-added' (FVA) in development cooperation and assesses how FVA affects aid effectiveness. "Value-added" in development is taken to be the attempt to bring into cooperation something extra beyond the monetary volume of aid. This 'something extra' can be seen to represent 'value-added', regardless of the term used to refer to it.

The Ministry for Foreign Affairs of Finland commissioned an independent research team of academics from Finland, Tanzania, and Nepal, to investigate the origins of Finnish value-added. The team found that FVA has mostly been understood as something peculiarly 'Finnish' - be it technology, expertise, skills, attitudes, values, or patterns of behaviour. However, FVA can also be seen as something more general that has been learned and acquired during Finland's years of cooperation, and which can now be deployed as part of a wider donor constellation.

The study argues that there is no predetermined relationship between value-added and aid effectiveness. Efforts at value-added can enhance aid effectiveness, or undermine it; or there may be no connection. All depends on how development aid projects are carried out.

The study concludes that, from the partner's point of view, aid funds are important in themselves. The value of what a donor can provide in addition to funds cannot be unilaterally decided by the donor, but must be negotiated with the partner on the ground.



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