The Development Assistance Committee (DAC) of the OECD met on 21st February 1992 under the chairmanship of Mr. Alexander R. Love to review the development assistance efforts and policies of Finland. The Finnish Delegation was headed by Mr. Ilkka Ristimäki, Under-Secretary of State for International Development Co-operation of the Ministry of Foreign Affairs. The examiners were the Commission of the European Communities and the Netherlands.

Finland’s ODA growth over the past decade, at 15 per cent average annual increase, has been the fastest growing aid programme among DAC Members. In 1991, tentative figures show that Finnish aid disbursements grew by over 9 per cent in real terms and exceeded 0.7 per cent of GNP. Administrative reforms contributed to a more rapid rate of disbursements. In addition the increase in the ODA/GNP ratio was due in part to negative GNP growth in 1991.

The Committee welcomed the fact that Finland had met its objective of attaining the 0.7 per cent UN target, but was concerned that Finland will be unable to sustain this volume performance. An exceptionally severe economic downturn has forced the Finnish government to curtail sharply public expenditures, including aid budgets. Budget figures for 1992 show a reduction of over 20 per cent in relation to earlier projections, and the same trend is likely to prevail in 1993. However, the Government plans to reinstate the 0.7 per cent UN target in its budget plans when economic conditions permit.

The Committee encouraged the Finnish authorities to intensify their efforts to increase public awareness of the need for Finland to continue to support its developing country partners at this critical point in time when they are making difficult economic reforms and trying to democratise their political systems. Failure of DAC Members to support these developing countries at this juncture may result in lost opportunities to contribute to their stability and economic well-being.

The Committee appreciated the high concessionality of the Finnish aid programme and the concentration of bilateral assistance on poorer recipient countries. Finland has continued to provide strong support for multilateral institutions and UN agencies, which account for about 40 per cent of the total aid programme. The Committee noted that Finland, together with the other Nordic countries, launched proposals for reforming the development assistance activities of the UN system.
The Committee reviewed Finland’s aid programme in the light of the DAC Policy Statement on Development Co-operation in the 1990s calling for aid policies designed to promote sustainable economic growth, to enable broader participation of all the people in the productive processes with a more equitable sharing of their benefits, to ensure environmental sustainability and to slow excessive population growth. Within the context of promoting broader participation in development of all of the people, the Committee discussed Finland’s approach to good government, human rights, democracy and political conditionality. In addressing these issues which play an important role in the economic development of recipient countries, Finland’s policy puts emphasis on dialogue. The Finnish position is that aid projects and programmes can and should be used to promote human rights, democracy and individual initiative within the context of participatory development strategies. At the same time Finland holds that the provision of aid should not be subject to political conditionality.

The Committee welcomed Finland’s efforts to streamline and strengthen its aid delivery system through a reorganisation of FINNIDA resulting, inter alia, in a geographic focus for aid management, strengthened country programming and increased field authority. During the mid-1980s attention to evaluation slackened in FINNIDA. Therefore, FINNIDA’s renewed attention to the evaluation of its projects and programmes along with the reorganisation was welcomed by the Committee although there remained some doubts about whether sufficient staff resources are being devoted to this work. The Finnish authorities were encouraged to continue to strengthen FINNIDA’s project and programme design, management and evaluation processes, within country and regional strategies. These reforms should help to avoid support being extended to unsustainable activities. Further efforts to develop project and programme design and management, together with evaluation capacities, are called for in line with agreed DAC principles, in particular those for Project Appraisal, Programme Assistance and Aid Evaluation.

The Committee noted a number of Finland’s development programmes in various sectors such as the forestry and forest industries sectors, traditional areas of emphasis for the Finnish aid programme which have assumed even greater importance given the growing world-wide concern with environmental protection. The leadership Finland has provided to enhance aid co-ordination particularly on the sectoral level, as exemplified by Finnish activities in Nepal in the forestry sector, was appreciated by the Committee.

FINNIDA’s efforts to translate the concept of participatory development into specific aid activities stressing human resources development, users groups, the role of women, and broad popular participation in the development process were discussed. The Committee was interested to learn about Finnish support for management training, particularly aimed at building export capacity, which has been carried on for over two decades in the Finnish aid programme. The Committee also discussed Finland’s efforts to promote regional co-operation, notably in Southern Africa through SADCC and in Central America.
Finland’s NGO programme has traditionally been relatively small and highly dispersed. However, it has grown in recent years to about half the DAC average and consideration is being given as to how to involve Finnish NGOs more effectively in the development process. The interesting efforts to strengthen pluralism through labour union NGOs were noted.

Finland has supported population activities primarily through multilateral organisations such as UNFPA, IPPF and the Population Council. The Committee was encouraged to learn that Finnish contributions to UNFPA have increased over 10 times since 1985 to almost $20 million in 1990. However, Finland’s bilateral population programme has been relatively small. In accordance with the Conclusions of the 1990 DAC Meeting on Population and Development, the Committee encouraged Finland along with other DAC Members to explore ways of further strengthening population activities, including the possibility of increased bilateral assistance and greater use of NGOs.

The Committee noted the continued high proportion of tied aid in the Finnish bilateral programme and the planned expansion of the use of ODA in association with export credits (Associated Financing). ODA interest subsidies attached to commercial credits are projected to reach 4 to 6 per cent of Finnish ODA in the next two years. Finnish authorities assured the Committee that projects financed in association with export credits are, and will be, appraised for developmental effect and environment impact, and that the new disciplines agreed on associated financing and tied aid credits would be respected.