

# SWEDEN

Development Assistance Committee (DAC)  
PEER REVIEW



ORGANISATION FOR ECONOMIC CO-OPERATION AND  
DEVELOPMENT

## ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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### The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. Each member is critically examined approximately once every four or five years, with five members examined annually. The OECD's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the peer reviews are undertaken.

The peer review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing their own policies and objectives as well as DAC policies and principles. The field visits assess particularly how the donor implements the aid effectiveness agenda, works with the partner government and co-ordinates with other donors. The peer review team meets with representatives of the reviewed country, government officials of the partner country, bilateral and multilateral donors, local and international civil society organisations, and other relevant partners to hear their views on the reviewed country's performance.

The Secretariat then prepares a draft report on the member's development co-operation drawing also from a wide range of other sources (see bibliography). This report is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Japan and United States for the Peer Review on 9 June 2009.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the **Development Assistance Committee**, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

## ACRONYMS

ATHA	Advanced Training in Humanitarian Action
CAPs	Consolidated Inter-Agency Appeals
CSO	Civil society organisation
DAC	Development Assistance Committee
DRR	Disaster risk reduction
EIA	Environmental impact assessment
EU	European Union
GBS	General budget support
GFDRR	Global Facility for Disaster Reduction and Recovery
GHD	Good humanitarian donorship
GNI	Gross national income
ICRC	International Committee of the Red Cross
ISDR	International Strategy for Disaster Risk Reduction
MDGs	Millennium Development Goals
MFA	Ministry for Foreign Affairs
MoU	Memorandum of Understanding
MSB	Swedish Civil Contingencies Agency
NGO	Non-governmental organisation
ODA	Official development assistance
PARPA	Mozambique's Action Plan for the Reduction of Absolute Poverty
PCD	Policy coherence for development
PFM	Public financial management
PGD	Sweden's Policy for Global Development
PIU	Parallel implementation unit
PRS	Poverty reduction strategy
SADEV	Swedish Agency for Development Evaluation
SEA	Strategic environmental assessment
SEI	Stockholm Environment Institute
Sida	Swedish International Development Cooperation Agency
UNHCR	Office of the UN High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WTO	World Trade Organization

**Signs used:**

SEK Swedish Kronor

USD United States dollars

( ) Secretariat estimate in whole or part

- (Nil)

0.0 Negligible

.. Not available

... Not available separately, but included in total

n.a. Not applicable

Slight discrepancies in totals are due to rounding.

**Exchange rates (SEK per USD) were:**

<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
8.0781	7.3460	7.4724	7.3733	6.7575	6.6797	8.2950

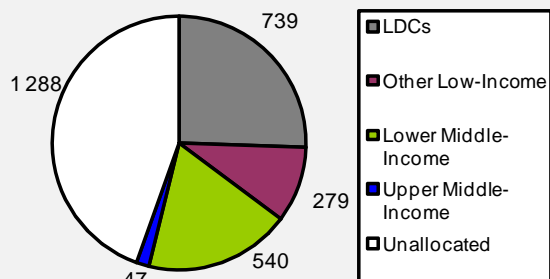
### Sweden's Aid at a glance

#### SWEDEN

Gross Bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	Change 2006/07
Current (USD m)	3 955	4 339	9.7%
Constant (2006 USD m)	3 955	3 857	-2.5%
In Swedish Kronor (million)	29 161	29 320	0.5%
ODA/GNI	1.02%	0.93%	
Bilateral share	72%	68%	

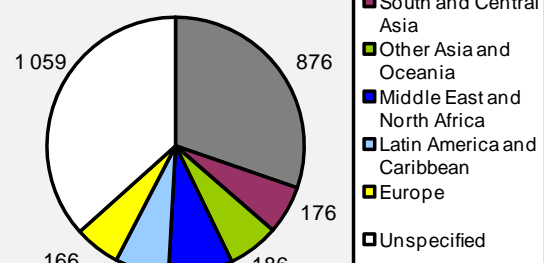
By Income Group (USD m)



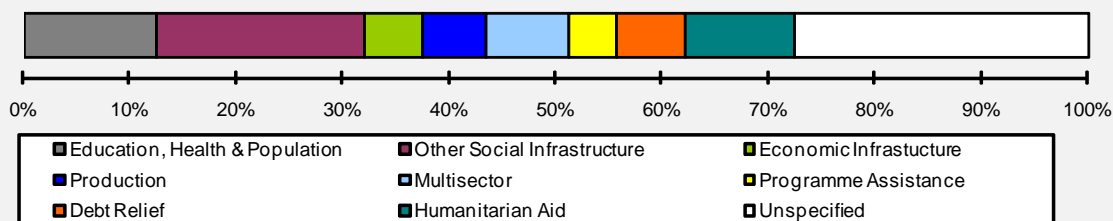
Top Ten Recipients of Gross ODA (USD million)

1 Iraq	148
2 Tanzania	110
3 Mozambique	98
4 Uganda	60
5 Sudan	58
6 Palestinian Adm. Areas	53
7 Afghanistan	51
8 Zambia	51
9 Kenya	49
10 Viet Nam	45

By Region (USD m)



By Sector



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## THE DAC’S MAIN FINDINGS AND RECOMMENDATIONS

### Framework for development co-operation

#### *Legal and political orientations*

##### *A welcome leadership role*

Sweden is providing crucial leadership within the international donor community. It remains a leading advocate of increased aid flows to developing countries, and has led by example with aid allocations exceeding the UN target of 0.7% of GNI every year since 1975 and reaching 0.98% in 2008. Sweden has budgeted for its aid to reach 1% of its GNI in 2009. This leadership is especially important in the current climate of global recession when development co-operation budgets are under pressure. It will be particularly pertinent during Sweden’s forthcoming tenure of the EU presidency. Sweden has played a constructive, and often leading, role internationally in ensuring development co-operation quality, for example by promoting aid effectiveness and good humanitarian donorship. An ardent supporter of multilateralism, Sweden also advocates structural reform within multilateral agencies and has championed new financing mechanisms. Meanwhile, domestic support remains steadfast for Sweden to continue to play a strong leadership role within the international donor community, while also improving its own development co-operation system.

##### *Strong, but complex, policy foundations*

Sweden’s *Policy for Global Development* provides a strong foundation for the Swedish development co-operation system. It also gives a clear direction and sense of what matters to Sweden. It covers a whole range of sectors, cross-cutting issues, humanitarian assistance and, importantly, prioritises policy coherence for development across government. The government has also identified three thematic priorities for development co-operation during its current tenure in office: (i) democracy and human rights; (ii) environment and climate change; and (iii) gender equality and the role of women. However, a number of additional policy and other documents create layers of complexity. The Ministry for Foreign Affairs (MFA) intends to introduce 12 new thematic policies by 2011 to replace gradually the “forest of policies” noted in the last DAC peer review. Sweden should also avoid producing excessive additional guidelines and guidance documents and ensure that Sida’s guidance and other documents do not encroach on policy.

##### *Reform: moving in a positive direction*

Sweden has launched a series of reforms. These include reducing the number of partner countries, structural changes at Sida, and introducing new ways of managing

development co-operation. The overall aim is to retain Sweden's position as a leading donor and to create a development system that is "characterised by quality, efficiency and results". In particular, Sweden's commitments to the Paris Declaration and the Accra Agenda for Action are helping to drive these reforms. Domestically, government and parliamentary reviews and public interest have encouraged Sweden to establish a clearer division of labour between the MFA and Sida. They have also led to changes in organisational structure and a stronger emphasis on results-based management. The reform agenda is ambitious and will take time to deliver results. The committee was informed that the reform process is now starting to yield benefits. The greatest challenge is to manage so many change processes simultaneously, while also safeguarding existing strengths. Critically, the direction, pace and rationale for these reforms must be communicated effectively to staff and stakeholders to obtain buy-in and avoid misunderstandings.

Overall, Sweden has been proactive in responding to the recommendations of the last DAC peer review and, more generally, in constantly seeking to improve Swedish development co-operation. Notably, Sweden is seeking to be more strategic in its support to multilateral organisations and to reduce its number of partner countries. It is keeping to its official development assistance (ODA) volume target, has made changes to the system for agreeing to partner country co-operation strategies and introduced a more results-orientated approach. However, there are some areas where Sweden has not yet been able to address previous recommendations, notably in reducing the complexity of the policy framework and providing independent monitoring and evaluation of policy coherence for development.

### *The need for continued investment in public support*

Sweden has established a reputation for high levels of public communication and development education; public support for development co-operation remains relatively high. In an environment of economic austerity, it will be critical that public support is maintained. The government understands that it cannot take public support for granted. Sweden is, therefore, placing an increasing emphasis on communicating development results to parliament and the public. It will also be important for Sweden to continue to invest in development education. In addition, Swedish civil society organisations (CSOs) have helped to stimulate well-informed public debate. As Sweden implements its new communication strategy, it should continue to involve CSOs since they play a pivotal role in stimulating constructive commentary and public communication.

### *Promoting policy coherence for development*

#### *A new start*

The 2003 *Policy for Global Development* positioned policy coherence at the heart of Sweden's approach to development and placed Sweden at the vanguard of donors committed to coherence. However, while Sweden has a strong policy and legislative basis for policy coherence for development, it has found implementation challenging. This is because it lacked other essential building blocks — namely the co-ordination mechanisms and monitoring and reporting. Sweden is therefore congratulated for identifying implementation weaknesses in the policy coherence aspects of the *Policy for Global Development* and for re-thinking its approach. The new approach, set out in a

communication to parliament entitled *Global Challenges – Our Responsibility*, is more focused and practical. Sweden's decision to acknowledge the problems, identify the causes, and take action is commendable, and the country is now in a better position to make progress.

### *Some remaining challenges*

Sweden still needs to ensure all the building blocks are in place for policy coherence for development. In particular, the MFA has limited tools and capacity to co-ordinate and arbitrate between different parts of government. Making explicit reference to the *Policy for Global Development* and *Global Challenges* in ministries' and agencies' letters of appropriation will help to ensure that due priority is given to policy coherence for development. Sweden should, therefore, make wider use of this tool in future. Monitoring continues to be based on self-assessments by individual ministries with no external scrutiny; there are still no plans for independent monitoring and evaluation. As highlighted in the 2005 peer review, this might be an appropriate role for the Swedish Agency for Development Evaluation (SADEV), but policy coherence for development is not currently within the agency's mandate. SADEV may be able to contribute to regular reporting to parliament on progress against all policy coherence objectives, or evaluate progress against one of the global challenges in detail every year to complement the government's overall report. Sweden has committed to defining indicators to measure progress; these should now be finalised. Whilst finding relevant and workable indicators and defining clear baselines is challenging, it is an opportunity to improve monitoring significantly, thereby retaining Sweden's leading role within the DAC on policy coherence for development. Other DAC members can learn from Sweden's experiences in identifying and using these indicators.

## **Recommendations**

The DAC welcomes Sweden's strong leadership and reform efforts. To build on this Sweden should:

- Continue to overhaul, rationalise and clarify the complex policy framework and ensure appropriate alignment with the *Policy for Global Development*. Sweden should also ensure that Sida's guidance documents do not act as additional policy documents.
- Communicate effectively, to both internal and external stakeholders, how Sweden's development co-operation system is changing and how this is likely to affect its partners. This will be crucial to sustain Sweden's ambitious agenda for change.
- Assign a suitable organisation to provide independent monitoring and evaluation of Swedish policy coherence for development and report results to parliament.
- Finalise, in close co-operation with international partners, workable indicators for measuring overall progress towards cross-government objectives and different agencies' contributions to policy coherence for development.

## Aid volume, channels and allocations

### *A good example in turbulent times*

Swedish ODA in 2008 was USD 4.73 billion, making it the eighth biggest DAC donor that year. Sweden was the most generous donor in terms of the proportion of its gross national income allocated to ODA (0.98%, which well exceeds the UN target of 0.7%). Sweden is also committed to achieving in 2009 its own target of spending 1% of GNI on ODA. Sweden's record on - and continued commitment to - increasing aid volumes sets an excellent example for the rest of the world, especially in the current economic climate.

### *More focused bilateral aid*

Sweden is concentrating its support by reducing the number of partner countries from 67 to 33 over the next three years. This change responds directly to a recommendation in the previous peer review. It will increase assistance to sub-Saharan Africa and Eastern Europe, while decreasing the focus on Latin America and Asia. Swedish support to conflict and post-conflict states will also increase. Sweden's efforts to reduce the geographical spread of its bilateral assistance are welcome and should allow Sweden to consolidate and improve the quality of its engagement with a smaller number of partner countries. Moreover, focusing on sub-Saharan Africa and post-conflict countries will help increase the proportion of Swedish ODA which goes to poorer countries and therefore better align allocations with the *Policy for Global Development's* overarching goal of poverty reduction. In contrast, further increases in Swedish aid to Europe as a region — already double the DAC average — reflect Sweden's current priority on governance and also support Sweden's foreign policy objectives for EU enlargement. These countries are not amongst the poorest, nor is Swedish aid directly focused on helping the poorest groups in these countries. Rather, the aim of this "reform co-operation" is to prepare recipient governments for EU accession, which Sweden asserts is the most effective way to reduce poverty in these countries in the longer term.

Sweden is reducing the sectoral spread of its aid by concentrating its activities in each country to three sectors. These three sectors are in addition to its engagement with civil society, support to research, budget support and humanitarian assistance. Teams are also expected to prioritise the government's three themes (see paragraph 2) either through financial support or dialogue. At the global level Sweden will continue to operate in a broad range of sectors, and the committee was informed that Sida is working on rationalising the list of options. It will, therefore, continue to need a broad range of expertise to support its activities. Sweden also intends to consolidate its activities within sectors, aiming to replace smaller projects with fewer, larger programmes. This process is ongoing.

### *Heading towards more strategic multilateral support*

Sweden is a committed supporter of multilateral organisations and particularly of the UN system. The majority of Sweden's funding to multilateral organisations is core support, which is in line with the government's new *Strategy for Multilateral Development Co-operation* and Sweden's commitments under the Good Humanitarian Donorship initiative (GHD). This approach is good practice and sets an example for other donors. However, the 2005 peer review flagged a need for more "strategic thinking and

performance monitoring” in Swedish support to multilateral organisations. Sweden has since launched a *Strategy for Multilateral Development Co-operation*. This is a welcome and important step.

Nevertheless, effective engagement requires time and good knowledge of each organisation and Sweden has limited staff available for strategic engagements with multilateral organisations. In 2007 Sweden funded over 50 different multilateral organisations. The MFA has now reviewed 23 multilateral agencies receiving more than USD 2.4 million per year in terms of their “relevance” to Swedish priorities and their “effectiveness”. Sweden is encouraged to use these assessments to inform its decisions, not only about the size of allocations to each organisation, but also to rationalise the large number of different contributions it manages in line with its policy priorities and strategic objectives. Sweden should also work closely with other bilateral donors to find an internationally coherent way to assess multilateral effectiveness. This would allow sharing of information and help minimise the transaction costs for the assessed multilateral organisations. The DAC acknowledged Sweden’s active participation in the Multilateral Organisation Performance Assessment Network (MOPAN).

### *Working with civil society and the private sector*

Sweden remains a strong supporter of civil society organisations (CSOs), both at home and in partner countries, and has established strong partnerships and active dialogues with them. Its use of framework agreements has helped to cement medium term relations with Swedish CSOs and support their core activities. Swedish CSOs have also played an important role in domestic development education programmes and in holding the Swedish government to account for its implementation of the *Policy for Global Development*. In partner countries, Sweden seeks to provide core funding to support local CSOs’ own priorities, where they align with Sweden’s. This strong basis for engagement is vital since, at 8% of total bilateral ODA in 2007, Swedish core support to CSOs is more than double that of the DAC average. Support through CSOs to implement Swedish funded projects is also large, at 25% of total bilateral ODA in 2007. To maintain these strong relationships, Sweden should ensure it communicates better with its CSO partners about on-going and planned changes to the development co-operation system. The government aims to increase engagement with the private sector, particularly in countries where it intends to phase out development co-operation. The DAC welcomes this move, since active involvement of the private sector is often crucial in creating a sustainable development pattern. Sweden has also increased support to Swedfund, a state-owned investment company, to support private sector development in partner countries. However, in contrast to Swedish engagement with CSOs, links between the Swedish development co-operation system and the private sector are not yet robust and will take time to build.

## **Recommendations**

To increase the focus of its development co-operation further, Sweden should:

- Ensure that any changes to the geographical allocation of bilateral aid are closely aligned with the strong poverty reduction focus of the *Policy for Global Development*.
- Focus support to the multilateral system strategically, in line with the development priorities and strategic objectives identified in the *Policy for Global Development*. Use

recent assessments of multilateral organisations as a basis for reducing the large number of separate contributions. Be mindful that more staff resources may be required to fulfil the policy objective of deeper multilateral engagement.

- Invest in building stronger relationships and linkages between development co-operation staff and private sector counterparts to increase private sector involvement in development.

## Organisation and management

### *Organisational reform*

The MFA is responsible for managing four agencies that implement development policy. By far the largest of these is Sida, which disburses 80% of Swedish bilateral aid. Sweden has established a clearer division of labour and more constructive engagement between the MFA and Sida. The MFA now has control of policy making, although it involves Sida closely in the process. Both the MFA and Sida have also been re-structured. Changes in the MFA are now well embedded, but it is too early to see results within Sida. While Sida's new structure may resolve old tensions, it does present new practical challenges that will need to be managed carefully. For example, grouping operational departments by the type of engagement rather than geographical region ought to increase cross-regional learning. However, Sweden will need to find other ways to preserve a regional perspective on cross-border issues, such as insecurity and environment and climate change. The introduction of "networks" of staff is intended to increase intra-agency learning and coherence; however, at the time of the peer review visits these were still conceptual rather than operational. Ensuring they become an effective tool to overcome inter-departmental boundaries will require careful management as well as a strong sense of ownership and commitment among staff at all levels of the organisation.

### *A welcome new drive for results*

The high priority now being given to results-based management is welcome, but there are challenges in rolling out the new ways of working. Sweden now places a strong emphasis on external reporting of results. This is crucial, not least for retaining public and parliamentary support. However, Sweden should also prioritise the practical details of how it can create an aid system that is truly managed by and for development results. To begin this process, Sweden has recently introduced some important initiatives. These include linking individuals' and teams' results objectives with corporate objectives, and establishing a Quality Assurance Committee to review each new proposal for results orientation. Nevertheless, at the time of the peer review visits, many staff remained unclear what results-based management really entails in practice. It will therefore be vital to deliver practical training and integrate results-based management into *existing* staff guidance, rather than creating additional documents.

### *A changing evaluation landscape*

SADEV was established in 2006 as an independent agency and is working increasingly closely with the evaluation departments of Sida and other DAC members. Unfortunately, there are no formal mechanisms to ensure that the government as a whole,

the MFA or Sida act on SADEV's evaluation findings, which reduces its impact. However, the committee was informed that work is underway to establish a mechanism for responding to SADEV's findings. Meanwhile, Sida's internal evaluation function is evolving more towards management needs. While this is important, Sida will need to guard its evaluation function's existing strengths and capacities and ensure it retains a degree of independence and, therefore, credibility. Furthermore, Sida should put in place an effective and timely management response system that is adhered to in practice. Sida plans to issue new evaluation guidelines during 2009. These should set out how the management response system's proper functioning will be guaranteed, and how the principle of independence in evaluation will be protected.

*People: at the heart of implementing change*

Sweden needs to ensure it has the right people and the right skills in place to support its ambitious agenda for change. In the second half of 2009 Sweden takes up the presidency of EU, putting further pressure on MFA staff in the midst of ongoing reforms. But notwithstanding these extra pressures, the MFA's human resources are particularly limited in the context of the reforms and additional responsibilities. To implement the new priorities, both the MFA and Sida will need a human resource management strategy which can ensure their access to suitable skills and expertise. For example, Sweden's focus on post-conflict countries has increased, coupled with greater decentralisation of staff to the field. A strategy will be crucial for ensuring that staff have the appropriate experience and aptitude to work in difficult and fragile situations. Similarly, to make its support to multilateral organisations more strategic, Sweden needs staff with a sound knowledge of each organisation and the time to engage effectively with them. Although Sweden is trying to decentralise, it has found it difficult to post a higher proportion of its staff to the field. Sweden has, however, succeeded in recruiting more National Programme Officers in-country and these staff members are playing an increasingly important role in Swedish bilateral development co-operation. All staff implementing Swedish development co-operation would benefit from further training in two of the biggest changes to how they work: results-based management and programme-based approaches. Training should be practically orientated, based on real life examples and case studies, and should not rely on yet more detailed and theoretical guidance documents.

## Recommendations

To strengthen important organisational reforms Sweden should:

- Manage closely the challenges posed by Sida's new structure. In particular, by:
  - (i) protecting regional knowledge and analysis now that teams working in neighbouring countries may come under different departments; and
  - (ii) making the new staff networks, which Sida sees as crucial to the functioning of its new structure, an effective tool to overcome departmental boundaries, through careful planning and management and strong working-level ownership.
- Ensure both the independence and impact of Sida's internal evaluation function, including the proper functioning of the management response system. The new evaluation guidelines should set out how this will be guaranteed.

- Protect overall human resource levels, particularly in the MFA and in the field, and allocate resources and skills appropriately to implement Sweden's objectives and commitments. For example, increased engagement in conflict-affected countries and more strategic engagement with multilateral organisations require appropriate staff levels and skills.

## Practices for better impact

### *Implementing aid effectively*

Sweden is committed to making aid more effective. There is strong support in the government, the administration and parliament for bringing ways of working into line with the Paris Declaration, the Accra Agenda for Action and the *EU Code of Conduct on Division of Labour and Complementarity*. Sweden takes an appropriately broad view of aid effectiveness by trying to apply the same principles across its co-operation with partner governments, CSOs and multilateral organisations.

In practice, Sweden has taken concrete steps to implement the Paris Declaration. Although progress has been mixed, it has improved against the majority of the indicators included in the *2008 Survey on Monitoring the Paris Declaration*. It has already achieved three of the targets: (i) all of Swedish aid is untied; (ii) more than half uses country procurement systems; and (iii) over half is channelled through partner country public financial management systems. Sweden has also increased the proportion of its aid which is aligned with country systems, as well as the proportion of its analytical work which is conducted jointly. Sweden has started to reduce its use of parallel implementation units (PIUs). It is encouraged to renew its efforts in this area, both to meet the Paris Declaration target to reduce PIUs to less than 12 by 2010 and to meet its own goal of phasing them out entirely. Encouragingly, Sweden is now examining why it has not performed better against some of the Paris Declaration targets so that it can take action to enable further progress in the next two years.

Sweden is also committed to a more focused use of aid and a better division of labour among donors. It is rationalising the number of countries in which it works and the number of sectors in each country. Importantly, it also aims to concentrate support within those sectors, *i.e.* to consolidate the number of contributions, and increase the use of programme-based approaches. Sweden's new *Guidance on Programme-Based Approaches* is well aligned with the principles of the Paris Declaration and states that, wherever possible, all Sida development co-operation should be programmatic. This is a major change given that currently around half of Sida's work is project-based. It will therefore take time to implement; staff will need to be guided and equipped to make the changes effectively.

Sweden invests considerable resources in donor co-ordination. Staff are to be commended for their attempts to identify more inclusive mechanisms for dialogue, for example by promoting a "Code of Conduct" for all donors in Mozambique. However, Sweden is not yet on course to achieve targets agreed on the proportion of joint missions and the use of common arrangements. Furthermore, while more than half of Sweden's technical co-operation is co-ordinated, Sweden is not on track to achieve the EU target to co-ordinate all technical co-operation by 2010. Sweden enters into arrangements with other donors, such as with budget support, in which conditions are agreed with partner governments. Where Sweden applies these conditions selectively to a variable tranche,

predictability includes being clear on what conditions are to be met for these resources to be released. Sweden must, therefore, ensure that it communicates any conditions clearly to its partners.

### *Learning from priority topics*

#### *Capacity development*

Sweden has a strong policy basis for capacity development. The overarching goal of Sweden's *Policy for Global Development*, "to contribute to an environment supportive of poor people's own efforts to improve their quality of life", underlines Sweden's recognition that capacity development is central to sustainable development. Perhaps even more pertinent is the statement in Sida's 2005 policy on capacity development that the ultimate task is to "make development co-operation superfluous in the long run". Swedish policy and guidance also set out a multilayered understanding of capacity development and emphasise the importance of contextual analysis. Sweden's understanding and prioritisation of capacity development resonate with a growing international consensus and with its own international commitments under the Paris Declaration. Conspicuous by its absence from Sweden's approach, however, is any reference to the challenge of capacity development in fragile situations. Sweden will need to address this, given its increased focus on conflict and post-conflict countries.

Sweden has actively supported capacity development for some decades through national systems, line ministries and government agencies. Sweden also places an appropriately strong emphasis on capacity development within civil society and provides CSOs with core funding in order to promote a vibrant civil society in partner countries. Sweden also invests in developing academic research capacity within partner countries. Sweden's work in capacity development is starting to become more programmatic, though it also still has a range of technical co-operation and organisational twinning projects which are not co-ordinated.

Sweden could consolidate its position by closing the remaining gaps between policy and practice. Firstly, though Sida's policy emphasises the importance of understanding the formal and informal context, in practice this is not always followed. Secondly, Sweden needs to ensure staff set out clearly what results they expect and in what timeframe, and determine an eventual exit strategy. This is important for results-based management but also to ensure that capacity, not dependency, is ultimately developed. To close these gaps and to integrate capacity development into all its projects and programmes, Sweden should incorporate capacity development into existing overarching guidance and manuals and target communication and training to front-line staff. It could also include capacity development objectives in the individual performance objectives of field staff.

#### *Environment and climate change*

Sweden is placing increasing priority on environment and climate change. Not only is it one of the government's priority themes for development co-operation, it is also one of the six "global challenges" which require cross-government action well beyond the development co-operation sphere. In its upcoming EU presidency, Sweden will also prioritise climate change and development. In preparation for this, the Swedish government established the *International Commission on Climate Change and*

*Development* in 2007. The international community will now look to Sweden to lead on follow-up to the commission's call for immediate action, additional funding and deeper global co-ordination. Therefore, Sweden needs to ensure it has enough experts and trained staff to fulfil this leadership role.

In terms of financing, Sweden's specific support to the environment as a sector accounted for just 3% of Swedish ODA in 2007. However, DAC statistics show that over half of Sweden's aid partially targets environmental sustainability, even if it might not be the main objective of the project or programme. To support its new political commitment to environment — and specifically tackling climate change — Sweden has earmarked SEK 4 billion (USD 482 million) of its aid budget for climate change activities during the period 2009-2011. Funding will primarily be channelled through existing multilateral initiatives, but SEK 1.1 billion (USD 132 million) will be disbursed through Swedish bilateral co-operation. Sweden is using existing mechanisms where possible and should continue to avoid establishing additional funding channels.

Sweden faces some challenges in mainstreaming environmental issues. An internal evaluation suggested that environmental concerns could be integrated better into Sida's work, and highlighted a problem of inadequate environmental impact assessments (EIAs) in particular. Many donors conduct screening to find out which projects need an EIA, but for Sweden EIAs are mandatory for all projects. However, the high level of ambition in Swedish EIA regulations may encourage staff to evade the regulations. Simpler tools and formats for strategic and impact assessments, as well as greater awareness, might help to create routines for mainstreaming environmental issues better.

Sweden plans to finalise a new overarching environmental policy in 2010, in to which climate change will be integrated and linked to broader environmental issues. Similarly, Sweden has decided to integrate climate change into its existing environmental tools. This integration could help simplify and consolidate the existing policy and guidance suite. In doing so, it should ensure that its focus on climate change does not divert attention from broader environmental issues which also remain critical.

## **Recommendations**

To build on its high level of commitment to increase aid effectiveness and results, Sweden should:

- Increase the proportion of technical co-operation which is co-ordinated with other donors and aligned with partner country strategies and increase the proportion of missions which are conducted jointly.
- Ensure that it communicates clearly to its partners how it will apply any jointly agreed conditions to a variable tranche of general budget support.
- Provide results-orientated support to capacity development and seek an appropriate balance between its welcome long-term commitment with the need, nevertheless, to establish time-bound objectives and associated exit strategies.
- Broaden staff awareness that capacity development should be at the core of all Swedish development co-operation. Improve staff understanding of difficult issues such as political context, what to prioritise in fragile situations and how to define reasonable

timeframes. Integrate these into overarching guidance documents and communicate them directly to front-line staff.

- Ensure there are enough experts and trained staff to allow Sweden to lead the international community in following up the International Commission on Climate Change and Development report.
- Simplify and consolidate assessment tools and guidance on environment and climate change in order to help mainstreaming.

## Humanitarian action

### *A sound leadership and policy basis*

Sweden plays a prominent role in the international humanitarian system and has recently concluded a one-year tenure as co-chair of the Good Humanitarian Donorship (GHD) Group. The 2004 *Swedish Government's Humanitarian Aid Policy* remains the principal policy guidance for Swedish humanitarian action. Anchored in Sweden's commitments under the GHD initiative, the policy confirms the location of humanitarian action within a broader development context, but also affirms its distinctive origins in core humanitarian principles and international humanitarian law. However, it lacks measurable indicators for integrating government commitments to results-based management into the humanitarian programme. The proposed revision of the policy provides an opportunity to rectify this omission and to align with the humanitarian community's latest thinking. The policy is underpinned by *Sida's Strategy for Humanitarian Work 2008-2010* and by CSO framework agreements and operational guidelines for CSOs. Other policies on cross-cutting issues, such as gender, HIV/AIDS and the environment, are applicable to Swedish humanitarian action, although it is less evident how they are embedded into humanitarian decision-making and management in practice.

In 2005, Sida released a report containing a 13-point action plan for integrating disaster risk reduction (DRR). Primary responsibility for DRR policy now rests with the Policy Team for Environment and Climate Change. However, DRR should not become solely a climate change issue; vulnerabilities to other disasters must also be addressed through DRR approaches in development co-operation strategies. Although ownership of the DRR policy agenda appears to be broadening beyond the Humanitarian Team, actual integration of DRR approaches into development co-operation strategies and corporate systems appears more limited.

### *Reliability and flexibility: hallmarks of Swedish humanitarian financing*

Sweden is considered to be a reliable humanitarian donor in terms of both the volume and quality of financial support. An estimated 13% of Swedish ODA was allocated to humanitarian assistance in 2007. In line with Sweden's strong commitment to multilateralism, this was primarily disbursed through UN agencies and Red Cross/Red Crescent organisations. Sweden aims to provide funds to all UN Consolidated Inter-Agency Appeals (CAPs) as well as to most "flash appeals" and Sweden also supports pooled funds, including the Central Emergency Response Fund (CERF) and country-specific Common Humanitarian Funds. Importantly, neither the ministers nor the MFA

can “instruct” Sida where and when to respond to crises. This autonomy helps to ensure that Sweden provides humanitarian assistance on the basis of need, rather than those crises with the highest public profile in Sweden.

Sweden is careful to ensure that its support for humanitarian action does not compromise core humanitarian principles. The policies and strategies of the Swedish armed forces support principled co-operation between military and civil actors although, at an operational level, there are no formal dialogue and co-ordination mechanisms. Nevertheless, Sweden adopts a pragmatic approach to humanitarian action that includes selectively harnessing opportunities to promote partner state responsibilities. In Mozambique, for example, Sweden’s budget support contributes to the Mozambican government’s humanitarian relief and recovery efforts.

### ***Quality, learning, and accountability initiatives***

Sweden provides resources for continuous improvement of Swedish and international humanitarian action through learning, targeted research and enhanced accountability. This includes support (i) for training opportunities through the Civil Society Center; (ii) to leading think-tanks on humanitarian issues; and (iii) to key CSO quality and accountability initiatives. Annually, up to 1% of the humanitarian budget is allocated to developing methods and humanitarian policy, as well as to evaluating humanitarian action. Currently, there is no specific strategy to direct the allocation of this budget, although in 2008 Sida’s Humanitarian Team drafted a concept paper as the first step in adopting a more strategic approach. Sweden is encouraged to finalise this plan.

### ***Organisation and management***

As with other elements of Swedish development co-operation, there is now a clearer delineation of roles between MFA and Sida in the humanitarian sphere. However, the MFA’s humanitarian section is within the Department of Security Policy; it is therefore functionally separated from the rest of the international development co-operation units within MFA. The unit’s staff of seven is small considering the breadth of the humanitarian agenda and Sweden’s strong leadership role in international humanitarian affairs. Fully staffed, Sida’s Humanitarian Team has 14 staff members and is now located in the Department for Countries in Conflict and Post-Conflict. This provides useful opportunities to harmonise Swedish humanitarian action with other development co-operation in conflict and post-conflict countries. However, the Humanitarian Team will need to reach out to colleagues in other departments who also have to respond to humanitarian emergencies.

## **Recommendations**

To consolidate its leading role as a good humanitarian donor, Sweden should:

- Proceed with the update of the humanitarian policy and identification of suitable indicators to monitor progress against strategic humanitarian objectives.
- Embed disaster risk reduction approaches within development co-operation strategies and better integrate key cross-cutting policies, including gender and environment, within humanitarian action.
- Finalise the plan for learning, research and accountability in the humanitarian sector.

## SECRETARIAT REPORT

### Chapter 1

#### Strategic Orientations

##### Sweden: an international leader

Sweden has long been a leading advocate of increased aid flows to developing countries, and has led by example with annual ODA/GNI ratios above the United Nations target of 0.7% since 1975. Sweden has played a constructive role internationally and within the European Union (EU) on issues related to the quality of development co-operation, for example on aid effectiveness and good humanitarian donorship. Sweden has also been an advocate of multilateral reform of the international development co-operation system and has championed new financing mechanisms, including pooled funds, in both development and humanitarian sectors. Sweden has been an ardent supporter of multilateralism. It has played a prominent role in promoting the “One UN model” and has actively participated in the governance structures of many multilateral agencies. Sweden has also promoted civil society engagement in international dialogues as a primary mechanism to hold governments and their partners to account. For all of these reasons, Sweden is widely regarded as a reliable, committed and generous donor by partner governments and peers in the international development co-operation system. Political support at home also remains steadfast for Sweden to continue to play a strong leadership role within the international donor community. This commitment and leadership is even more poignant in the current climate of global recession when development co-operation budgets are under pressure and scrutiny of results is even more intense. It will be particularly crucial during Sweden’s forthcoming tenure of the EU Presidency.

##### The foundations of Swedish development co-operation

###### *A well-established policy basis*

Sweden has a tradition as a co-operation partner with developing countries dating back to the work of Swedish missionaries in Africa during the nineteenth century. Official government development co-operation began in 1952 under the auspices of the Central Committee for Swedish Co-operation at a time when Sweden was reaping the economic benefits from helping with post-war reconstruction in Europe. In 1962, parliament approved a government bill which defined the goal of Swedish development co-operation as improving the standard of living of poor people. This goal remains the

primary driver of the Swedish development co-operation system today. “Swedish aid policy has changed surprisingly little over the years. The main perspectives in the Government Bill from 1962 ... poverty alleviation, support for human rights, justice and equality and ownership have all formed important parts of Swedish development co-operation over the years – all issues deeply rooted in the Swedish society and driven by the Swedish civil society but also strongly supported by the political parties” (Odén and Wohlgemuth, 2007).

This distinctive Swedish perspective was redefined in the government bill, *Shared Responsibility: Sweden’s Policy for Global Development* (Government of Sweden, 2003). This watershed document was the first integrated development policy to be adopted by a DAC member. Its fundamental importance is the clear direction that it provides to the Swedish development co-operation system. It also provides a platform for dialogue with bilateral partners, other donors and within the EU on Swedish goals and ambitions for development co-operation.

The *Policy for Global Development* has two main parts covering both development co-operation policy and policy coherence for development. Achieving policy coherence for development requires all policies, beyond development co-operation, supporting, or at least not undermining, development policies. Sweden’s Policy for Global Development identifies eight “central component areas” and two important perspectives for international development co-operation as well as eleven areas of national policy where the development co-operation system interfaces with other government priorities (Box 1). The policy represents an ambitious and multifaceted agenda, prompting a remark in the previous peer review that “Sweden is increasingly aware of the importance — and the difficulty — of this effort” (OECD, 2005a). Indeed, while the *Policy for Global Development* continues to be the cornerstone of Sweden’s development policy, moderate progress prompted the government to re-launch the policy coherence for development agenda in a separate document, *Global Challenges – Our Responsibility* (GoS, 2008a). *Global Challenges* re-affirms the strategic orientations of the policy but further emphasises the importance of whole-of-government responsibility. It identifies six priority areas, or global challenges, which cut across departmental boundaries and replace the original eleven areas of national policy outlined in the *Policy for Global Development*. Sweden is congratulated for its willingness to acknowledge that progress has been slow and to re-think its approach to policy coherence (Chapter 2). Sweden’s readiness to examine its weaknesses and proactively seek alternatives is an important strength of its development co-operation system.

### ***A need to reduce complexity***

The 2005 peer review (OECD, 2005a) noted that the unprioritised “forest” of policies represented a challenge to management and implementation in the field. The plethora of sectoral and thematic policies and guidance continues to represent a weakness of the present system. At the time of the 2009 peer review visit, there were still well over 100 policies, strategies and guidelines in operation and a further 17 under discussion. The hierarchy and linkages between them often appear unclear. It is evident that much of the “sorting through” and prioritisation suggested in the previous peer review has yet to occur (Annex A). The team noted a need to overhaul the policy framework to clarify, and, where necessary, rationalise the policy hierarchy and to ensure appropriate prioritisation and alignment with the *Policy for Global Development*. Sweden should exercise caution before adding to its existing policy and strategy library. A clearer division of labour has now been established between the Ministry of Foreign Affairs (MFA) and the Swedish

International Development Co-operation Agency (Sida) with the former being clearly assigned the policy making function. The MFA intends to introduce 12 new thematic policies by 2011 to gradually replace all existing sectoral and thematic policies. To ensure this overhaul finally results in an end to the “forest” of documents Swedish staff have to deal with, Sweden should also avoid producing excessive additional guidelines and guidance documents to compensate and ensure that Sida guidance documents do not encroach on policy.

The central tenet of the *Policy for Global Development* is that Swedish development assistance should be based on “the lives, experiences, capacities and priorities of poor people” (GoS, 2003). Accordingly, the point of departure for Swedish development co-operation strategies is the bilateral partner’s poverty reduction strategy except in exceptional circumstances (MFA, 2008a). Generally, the validity of the country strategy is acknowledged in the development co-operation strategy and strategic objectives are drawn directly from priorities identified in the poverty reduction strategy and supplemented by Sweden’s priorities. This is evident, for example, in Sweden’s Strategy for Development Co-operation with Mozambique (MFA, 2008b and Annex D). In addition, Sweden has a complex array of thematic and sectoral priorities which co-operation strategies are also expected to support (Box 1). As well as the perspectives and challenges identified in the *Policy for Global Development* and *Global Challenges*, in 2006 the government identified three themes for its current tenure in office: (i) democracy and human rights; (ii) environment and climate change; and (iii) gender equality and the role of women. The government sees these themes as cross cutting as well as priority areas for co-operation and strategic dialogue. For Sweden’s development co-operation personnel, combining and prioritising themes and policies is demanding when designing programmes and reporting results. The Swedish Agency for Public Management made a similar observation in 2005: “the structure of the goals for international development co-operation is complex and difficult to overview” (Statskontoret, 2005).

### Box 1. A complex overlay of policies and themes

#### *Development co-operation system*

Two perspectives (*Policy for Global Development*, 2003):

- A strong human rights perspective
- The perspectives of poor people on development

Eight component areas (*Policy for Global Development*, 2003):

- Respect for human rights
- Democracy and good governance
- Gender equality
- Sustainable use of natural resources and protection of the environment
- Economic growth
- Social development and social security
- Conflict management and human security
- Global public goods

Three government priority themes (Annual Budget Bill, 2006)

- Democracy and human rights
- Environment and climate change
- Gender equality and the role of women in development

#### *Policy coherence for development*

Six closely interlinked global challenges to development (*Global Challenges – Our Responsibility*, 2008):

- Oppression
- Economic exclusion
- Climate change and environmental impact
- Migration flows
- Infectious diseases and other health threats
- Conflicts and fragile situations

These six challenges replace the previous set of eleven areas of national policy outlined in the *Policy for Global Development* (2003)

Gender equality is a central component of the *Policy for Global Development* and is also highlighted as an important consideration in addressing the “global challenges”. It is one of the three thematic priorities, but is also an area in which Sweden already has an established tradition of support (Table 3, Chapter 3). Harmonising these overlapping areas of policy guidance and building on existing commitments to promote gender equality through development co-operation have prompted Sweden to clarify where Swedish support will be targeted in the future (Box 2).

As Box 2 shows, a significant challenge remains in translating the prioritisation of gender equality and the role of women into measurable indicators for reporting the impacts of Swedish involvement. The Minister for International Development Co-operation recently called on civil society organisations (CSOs) working on women’s rights to challenge the government to create a more results-orientated culture (MFA, 2009a). In hosting an international workshop in 2008 on *Measuring, Managing and Evaluating Progress in Gender Equality: The Role of Statistics and Indicators*, Sweden has shown its willingness to lead improvements in results orientation. The peer review team encourages Sweden to pursue this area of work and to share lessons and experiences with others. The team notes, however, that with only one full time member of staff dedicated to gender equality in the MFA, the burden of much of this work will be borne by Sida.

### **Box 2. Gender equality: measuring achievements**

The government’s new gender equality theme for its development co-operation targets four main areas: 1) improving women’s political participation; 2) improving women’s sexual and reproductive health and rights, including tackling HIV/AIDS; 3) improving women’s security, based on UN Security Council Resolution 1325, and reducing gender based violence; and 4) empowering women economically. The government allocated SEK 100 million (USD 12 million) in 2009 to improve maternal, sexual and reproductive health and rights (MFA, 2009b). Gender equality is also relatively well mainstreamed. In most cases, including in Mozambique, gender equality is identified as an area for strategic dialogue in the development co-operation strategy.

Measuring achievements in gender equality is challenging for all donors, and Sweden has encountered several difficulties in identifying appropriate and measurable indicators. Sida’s *2008 Annual Report* (Sida, 2009a) confirms that indicators for gender equality have not yet been developed. But it has established some guiding principles:

- Monitor and assess the extent to which Sweden has contributed to results, rather than directly attributing results achieved to Sweden’s development programmes.
- Use the partner country’s indicators and monitoring systems as much as possible.
- Limit the indicators used and ensure they appropriately reflect the objectives.

### **Sweden’s development co-operation system’s reform**

Sweden has launched a series of reforms, stimulated by a range of domestic and international factors. The overall aim is to retain Sweden’s position as a leading donor and to create a development co-operation system that is “characterised by quality, efficiency and results with the ultimate goal of increasing Sweden’s contribution to poverty reduction and thereby the achievement of Millennium Development Goals” (GoS, 2008a). In particular, Sweden’s commitments to the Paris Declaration on Aid Effectiveness, and more recently to the Accra Agenda for Action, are helping to drive

these reforms. Some of the reforms and new initiatives also respond to issues raised in the 2005 peer review (Annex 1). Sweden aims to make its development co-operation system more results orientated, for example (Chapter 4). There is now a strong emphasis on results-based management amongst politicians and senior officials though the process is in the early stages and results based management is not yet fully embedded in the Swedish development co-operation system.

The reform agenda is ambitious and will take time to yield benefits. The change processes are many and encroach on all aspects of the system. They include a reduction in the number of partner countries and organisational changes to improve the division of labour between the MFA and Sida, as well as the introduction of results-based management (Chapter 4). From a strategic perspective, the challenge is to manage so much change simultaneously, while safeguarding existing institutional and programmatic strengths. Senior management in both the MFA and Sida are aware of some of the challenges ahead. Sida has outlined its *Vision 2012* (Sida, 2009b) to communicate both internally and externally where it wants to be in three years time. However, at the time of the peer review visits, its messages appeared to be better understood in headquarters than in the field. Sida is now working to increase communication on the reform process with its field staff. Political support for reform also appears to be resolute with a strong desire for Swedish aid management to continue to be seen as exemplary. Nevertheless, given the number of changes involved, Sweden will need to invest significant time and resources in good internal communications, in managing expectations and ensuring staff are fully equipped with the skills and practical tools they need to make Sweden's ambitions a reality. Further, communicating the rationale, direction and pace of change to external stakeholders is crucial to ensure that vibrant partnerships are not damaged by misunderstandings.

### ***A more strategic approach to bilateral aid***

An important element of the reform is the concentration on a smaller number of bilateral partnerships, falling from 67 to 33 countries over the next three years. The 33 priority countries were largely chosen on the basis of poverty levels, past and potential effectiveness of Swedish assistance, partner governments' records on human rights and democratic governance and Swedish comparative advantage and added value. However, Sweden acknowledges that the choice of partner countries was ultimately also a political decision (MFA, 2007a). As a result of the country focus process, Swedish assistance to sub-Saharan Africa and Eastern Europe will increase, support to Latin America and Asia will decrease, while involvement in the Middle East will remain at similar levels. The process is also leading to greater Swedish engagement in post-conflict and fragile states. Engaging in a smaller number of countries will help Sweden to consolidate its support to, and staffing of, remaining country teams.

Sweden has re-grouped country programmes into six new categories based on the type of engagement rather than geographical location. The first three categories make up the 33 priority countries for Swedish co-operation in the future. It is not clear, however, how or when bilateral partnerships might transition between these categories or graduate from the development co-operation programme. Sweden intends to monitor this on a case by case basis.

- Category One: Twelve countries with which Sweden will continue “long-term co-operation”.
- Category Two: Twelve “conflict and post-conflict countries” where Sweden has committed to work despite the elevated risks and limited experience in some cases (Box 3).
- Category Three: Nine Eastern European countries identified for “reform co-operation programmes” (see Chapter 3).
- A further three categories (Category Four: “Democratic deficit”; Category Five: “Selective co-operation”; and Category Six: “Phasing out”) involve 34 countries where support will either be very limited or phased out by 2011.

### Box 3. Fragile Situations: A Swedish priority in policy and practice

The *Policy for Global Development* identified conflict management and human security as one of the eight central component areas for development co-operation. *Global Challenges* identified conflict and fragile situations as one of the six global challenges for policy coherence. The MFA intends to issue a new policy on security and development during 2009. In the interim Sida will continue to use the existing policy to guide its support (Sida, 2005b). The prioritisation has been reflected in substantial budget allocations (12% of Sida’s budget in 2007) to promote peace and security as a necessary condition for sustainable development and durable poverty reduction. A recent survey (Sida, 2008a) found that in 2007 Sida financed 257 interventions promoting peace and security, amounting to USD 293 million, and made a further 180 decisions for interventions at a planned disbursement of USD 327 million between 2007 and 2010. There is, therefore, a good match between Sweden’s stated policy imperatives and Sida’s budget allocations. The process of categorising bilateral partnerships has consolidated responsibility for development co-operation partnerships in 12 conflict and post-conflict countries within a single Sida department. This should facilitate coherent analysis and practice as well as cross-country learning. For these 12 countries, Swedish commitments appear well-aligned with the *DAC Principles for Good International Engagement in Fragile States and Situations* (OECD, 2007). For example, conflict analysis informs development co-operation strategies and the links between political, security and development objectives are outlined in *Global Challenges*. Sweden argues that despite shorter time frames used in co-operation strategies in fragile states, and the fact that they are not included in the group of countries it calls “long term co-operation”, that it is committed for the long term.

Sweden has also embarked on a process of sector concentration in country and regional programmes. The number of sectors in which Sweden can work in any one country is now limited to three, with a period of grace for phasing out from others (Chapter 5). At the global level, however, Sweden is not seeking a strategic sector focus and will continue to operate in a broad range of sectors. Sweden is also attempting to transform how it works. Sweden has strengthened its efforts to harmonise and co-ordinate its bilateral aid with that of other donors, which is both welcome and challenging (Chapter 5). The government also wants to increase the contribution of other Swedish actors, particularly in countries where it is phasing out official development co-operation. For example, Swedfund (a state-owned company which invests in African, Asian, Latin American and non-EU Eastern European countries) has received additional funding from the aid budget to support its investments in companies in developing countries. This reflects the government’s interest in stimulating the private sector as a vehicle to promote growth in partner economies and to create sustainable employment. Sweden allocated USD 148 million to Swedfund between 2007 and 2009, and an additional USD 1.2 million (SEK 10 million) for Swedfund investments in environmental technology and

energy, post-conflict areas and supporting Swedish entrepreneurs of non-Swedish origin (MFA, 2008c).<sup>1</sup> The additional funding for environmental technology and conflict-affected countries links well with government priorities. Swedfund may be well suited to continue Swedish collaboration with countries where Swedish development co-operation is being phased out. Unfortunately, however, the dialogue and working relationship between Swedfund and other parts of the development co-operation system do not yet appear robust. At field level, in particular, communication and consultation with private sector actors and with Swedfund could be improved. Strong relationships take time to develop and Sweden will need to invest time and effort to ensure its policy to increase private sector involvement is implemented in practice.

### *More considered support to multilateral organisations*

Sweden has long been a strong supporter of multilateral organisations, particularly the United Nations system (see Chapter 3). However, the 2005 peer review noted a need for more “strategic thinking and performance monitoring” (OECD, 2005a). The Parliamentary Committee on Foreign Affairs also recommended a more strategic and results-orientated approach (Riksdagen, 2005). As an initial response, Sweden launched a *Strategy for Multilateral Development Co-operation* in 2007 (GoS, 2007). This all-embracing policy is intended to provide normative guidance for Swedish support to UN agencies, international financial institutions and other multilateral funds. It is applicable, in a distilled form, to humanitarian support channelled through multilateral agencies as well as to development assistance. It is also relevant to funding of multilateral organisations directly at country level, so called “multi-bi” funding, which the strategy acknowledges may be useful in “reinforcing multilateral country programmes in line with the priorities of the partner country”.

The strategy recommends a “review of multilateral bodies to provide guidance on rationalisation and priorities”. It launched a process for assessing the “relevance” of multilateral agencies to Swedish priorities and their “effectiveness” as partners with the aim of assessing roughly 25 multilateral organisations per year. The MFA now considers both internal effectiveness (such as structural issues, focus on results, follow up and evaluation, transparency and accountability systems) and external effectiveness (such as delivery of results, co-ordination and ownership). In pursuing this ambition, Sweden has developed its own approach to reviewing multilateral agencies. While assessing the “relevance” of an organisation to Swedish priorities will, by definition need to be largely a bilateral matter, Sweden should work closely with other bilateral donors to find an internationally coherent way to assess multilateral “effectiveness”. This will allow sharing of information and help minimise the transaction costs for the assessed multilateral organisations. Sweden has already drawn on work by the Multilateral Organization Performance Assessment Network and has expressed a willingness to work in close collaboration with other donors and so it can build on this existing co-operation and partnership.

The Strategy for Multilateral Development Co-operation also proposes development of organisation-specific strategies. In 2009, Sweden is developing strategies for its support and engagement with the World Bank, UNDP, FAO and IOM. Sweden has also produced guidelines to define better the division of labour and roles and responsibilities

<sup>1</sup> Information also at [www.swedfund.se](http://www.swedfund.se), accessed March 2009.

of the MFA and Sida in relation to how they manage Swedish support and engagement with multilateral organisations.

### Consolidating public support

Within DAC member countries Sweden has established a reputation for leadership in public communication on international development co-operation. It was one of the first countries to invest in a public awareness campaign for the Millennium Development Goals, for example. The high priority Sweden has given to communication has contributed to high levels of public support as well as a particularly good understanding of key development issues amongst the public. In the most recent survey, 44% of respondents felt that the volume of Swedish development co-operation was appropriate, and 16% felt it should be further increased (Statistiska Central Byrån, 2008). Sweden is encouraged to build on this strong constituency in order to sustain public support through times of economic austerity. Well targeted and strategic communications will be needed. The government's emphasis on finding better ways to communicate results is welcome. As it seeks innovative approaches and draws on its experience in this process, Sweden is encouraged to share its learning with other DAC members.

The MFA is responsible for publicising the aims and purpose of the *Policy for Global Development*. Sida is responsible for informing the public about the results of development co-operation and for the development education programme (Box 4). In early 2009 Sweden was planning a new communications strategy to combine both elements within a single framework. CSOs have traditionally played a prominent role in disseminating information on and advocating for development and humanitarian issues. The guidelines for CSO participation in communication and public education will also be reviewed and incorporated into the forthcoming strategy. In the past, Swedish CSOs have helped to stimulate well informed public debate and the communications strategy should promote and not stifle these useful and well tested avenues of constructive commentary. Sweden is also seeking to involve other actors, including the private sector, in its future development education and communication.

#### Box 4. Sida's communication and development education activities

- A survey of public opinions (conducted every two years).
- The Sida Development Area: a forum for discussing specific themes. During 2007 Sida held three such forums — on HIV prevention; gender equality and business actors; climate change, food security and poverty reduction. Each forum attracted around 120 stakeholders and around 500 webcast viewers. They also received news coverage in Swedish media.
- Web television and radio podcasts on development and Sida's role.
- An Open House event at Sida, which involved over 100 members of Sida staff and drew in over 1 000 visitors; 10 000 people took an interest in the event via the website.
- Sida closed its education centre for young people in 2008. Though a useful resource for those already interested in international development, it did not succeed in reaching out to other young people.

Source: Sida's Annual Report 2008 (Sida, 2009a).

While Sweden's commitment to communication is relatively high, it should be noted that Sida's expenditure on such work decreased by roughly one-third between 2005 and 2007 (Sida, 2009a). The number of Sida staff working on communication also fell

between 2006 and 2008 by over one-third (OECD Development Centre, forthcoming). Sweden's overall expenditure on promoting development awareness, as reported to the DAC, decreased by slightly less than 5% between 2005 and 2007. However, Sweden is clear that it cannot take public support for granted and that by re-focusing on development results, its communications will be more effective, despite budget reductions.

### **Future considerations**

- Sweden is encouraged to continue to overhaul the policy framework to clarify and rationalise the complex policy hierarchy and to ensure appropriate alignment with the *Policy for Global Development*. Sweden should also ensure that Sida's guidance documents do not act as additional policy documents.
- Sweden needs to communicate effectively, to both internal and external stakeholders, how it is changing and how this is likely to affect its partners. This will be crucial for sustaining Sweden's ambitious agenda for change.
- If Sweden is to achieve its goal of greater private sector involvement in development it will need to invest in building stronger relationships and linkages between development co-operation staff and private sector counterparts.
- Sweden should finalise its communications strategy, make clear that it will continue to invest in development education and communication and that Swedish CSOs will continue to play a crucial role.



## Chapter 2

### Policy Coherence for Development

#### The foundations of policy coherence for development

The DAC's *Synthesis Report on Policy Coherence for Development* identified three building blocks necessary for policy coherence for development: (i) political commitment and a policy basis; (ii) co-ordination mechanisms; and (iii) monitoring, analysis and reporting systems (OECD, 2008a). Sweden put the legislative and political building blocks in place by enacting *Shared Responsibility: Sweden's Policy for Global Development* in 2003 (GoS, 2003). This policy provides guidance and direction to both the development co-operation system and policies of other government agencies that affect development in partner countries. It positioned policy coherence at the heart of Sweden's approach to development, and put Sweden at the forefront of donor commitments to coherence. The political commitment, which generated the policy in 2003, remains strong. The Minister for International Development Co-operation and staff in the MFA are committed to the ideals of policy coherence and the policy itself remains the main guiding document. Strong parliamentary and public support for the policy also underpins ministerial commitment.

The policy does not provide guidance on implementation issues. Indeed, it states that "The organisational arrangements for implementation will be considered at a later stage." However, it committed the government to report progress to parliament on an annual basis and gives the MFA overall responsibility for co-ordination and reporting. The Minister for International Development Co-operation holds responsibility for the policy. The Department of Development Policy in the MFA is responsible for implementation, including co-ordination and reporting. Co-ordination involves not only the ministries, but also dozens of semi-autonomous implementing agencies. The MFA relies on the existing standard inter-ministerial consultation mechanisms and relationships to co-ordinate policy coherence.

#### Policy coherence for development in reality: a story of mixed success

Despite the strong legislative base for policy coherence, Sweden has had mixed results in implementing its commitments. Without other building blocks in place, relating to systematic inter-departmental co-ordination and incentives and a framework for monitoring and reporting progress, Sweden has found it more difficult to achieve coherence in some policy areas than in others. This led to a significant rethink of practical implementation in 2008 (see Section 2.3).

#### *Trade and policy coherence for development*

In some policy areas, there has been clear progress in achieving coherence. These experiences can provide lessons and a potential model for other policy areas. Several important factors have facilitated policy coherence in trade, specifically developing

country exports and fairer trade rules (Box 5). Firstly, the fact that different stakeholders share the same objectives for global trade has been crucial. This has been buttressed by strong public interest and scrutiny of Swedish efforts to create freer and fairer trade rules for developing countries. Secondly, Sweden has invested significant human resources in the area of international trade policy. It recruited experienced people and gave them a mandate for improving coherence. The MFA also drew on the analytical capacity of the National Board of Trade and the Board of Agriculture to inform its engagement in international fora, such as World Trade Organization (WTO) and EU trade meetings. Thirdly, the linkages between the trade and development areas were already strong, not least because they are both housed within the same ministry. Some of the most crucial linkages were informal; working level engagement allowed detailed issues to be discussed and resolved promptly.

### **Box 5. The basis for policy coherence in Swedish trade policy**

#### **Political commitment and shared objectives:**

- There is shared political and public support for free trade and opening Swedish markets to developing country exports. The Doha Development Round of the WTO negotiations heightened public interest and support. The two ministers with responsibility for trade and development share an overall objective which is underpinned by prime ministerial, cross-party parliamentary and public support.
- Well-publicised events and aims, such as EU and WTO trade negotiations, provided milestones towards which Swedish officials could work and at which they would be held accountable through public, parliamentary and media interest and scrutiny.
- The letters of appropriation from government to the key agencies involved — notably Sida and the National Board of Trade — made explicit reference to policy coherence.

#### **Resources:**

- The MFA's Department of International Trade Policy recruited an individual to take responsibility for integrating trade and development policy. The MFA also re-organised the department and created a specific unit for trade and development. The unit works closely with the National Board of Trade, which also established a department to take responsibility for trade and development, and with the Ministry of Agriculture and Sida.
- The National Board of Trade and the Swedish Board of Agriculture provided the MFA with policy analysis.

#### **Linkages:**

- The formal co-ordination mechanisms are not substantially different from other policy areas, but informal co-ordination (day-to-day contact and networking) has been a powerful tool in the trade area. The MFA also involved key stakeholders early on in policy processes. Further, Sweden has established linkages between analysis and its capacity development in the trade area, by mandating the National Board of Trade to do both. Cross-government co-ordination mechanisms include:
  - formal meetings between senior officials two to three times a year;
  - regular working level meetings, on general and specific issues and events;
  - daily telephone contact at working level with key agencies;
  - informal networking channels; and
  - working groups for specific complex issues, such as Economic Partnership Agreements.

### *The challenges of implementing policy coherence for development more widely*

Elsewhere, where strong foundations did not exist, progress has been slower. For example, for migration, conflict management, or business and industry, no shared objectives existed on issues affecting development; nor were working relationships close. As noted in the 2005 peer review, it is always difficult for a line ministry to manage cross-government issues and Sweden's experience has confirmed that the MFA did not have sufficient influence to resolve the conflicts of interest that inevitably arose. Other ministries and agencies, and the individual staff within them, did not always have the incentives to think about their impacts on international development. Further, some parts of government did not engage closely with the MFA on international issues. In some cases cross-departmental engagement only occurred when contributions to the annual report of progress were due (Mackie *et al.*, 2007). Linked to this, some parts of government saw the *Policy for Global Development* as an overseas issue with little relevance to their own domestic priorities. They did not, therefore, see it as a prompt to assess the contribution and impact of their own policies and activities on development in partner countries. At the same time, there was no capacity or budget in the MFA to invest in informing other stakeholders better.

The policy emphasises the importance of an independent structure to evaluate international development co-operation, but it does not stipulate whether independent monitoring and reporting would be required to report on policy coherence or the policy as a whole. Although the policy led to the establishment of the Swedish Agency for Development Evaluation (SADEV), the agency's mandate was restricted to evaluating development co-operation. The 2005 peer review noted that this was a missed opportunity. Instead, monitoring and reporting progress on the coherence aspect of the policy has been reliant on self evaluations by the individual ministries. Each contributes to an annual report to parliament, which is co-ordinated by the MFA. In some policy areas this reporting process has encouraged some joint activities and analysis; but it has also led to concerns that reporting was selective. The MFA has limited capacity to conduct detailed analyses of ministries' contributions, to look closely at the results in the field or to oversee the process of soliciting and consolidating contributions. Indeed, a freeze in recruitment has meant that hiring planned additional staff has not been possible. This has limited the MFA's capacity to co-ordinate and analyse submissions and provide a comprehensive report. There has also been less civil society involvement than expected since a planned "citizens' forum" on the policy was not held. Nevertheless, a coalition of Swedish CSOs have produced a series of shadow reports (Sandhal, 2008), known as the *Coherence Barometer* (Box 6).

### Box 6. Civil society organisations check the pressure on the Swedish *Policy for Global Development*

This joint report, published by a coalition of 11 Swedish Civil Society Organisations, is intended to shadow the Government's report to parliament on implementation of the policy. The following summarises the 2008 report's rating of Sweden's performance against two policy areas.

<b>Issue:</b>		<b>CSO assessment:</b>
Security and arms:	disarmament and non-proliferation	Amber
	arms trade and export control	Red
	prevention of violent conflicts	Amber
	civilian crisis management	Amber
International trade:	exports from poor countries	Green
	import of industrial goods to poor countries	Red
	possibilities to ensure food security	Amber
	policy space	Red

*Green: The government has acted in a way that is in agreement with the ambitions of the Policy*

*Amber: the government has acted both positively and negatively, or not at all.*

*Red: the government has acted against the goals*

The *Policy for Global Development* sets out a large number of goals for policy coherence — over 50 in all — but contains no indicators or baselines against which progress towards long-term goals might be measured objectively (see below). Nor is there any prioritisation or hierarchy of the goals. It was therefore unclear what the government as a whole was expected to do, and by when, which made substantive monitoring and reporting difficult. Further, since goals are largely grouped by ministerial policy area, there was little examination of how different ministries should contribute to the same goal. For example, for trade in agricultural products there are two separate aims: one for the ministry with responsibility for trade and another for agriculture. The policy also includes objectives for both health and migration, but makes no links between the two, despite the particularly negative impact on developing country health sectors of losing health professionals via emigration (WHO, 2006).

In its annual letter of appropriation, Sida is instructed to report to the MFA on the impact of Swedish policy coherence, or incoherence. However, there were no mechanisms to encourage field offices to feed back systematically on the full range of policy coherence for development issues. Consequently, measuring and reporting the outcomes and impacts, as well as ensuring coherent action at field level, are patchy. As with headquarters, some issues — such as trade — receive more attention than others.

### A renewed Policy for Global Development

In 2008, the government decided to take action to remedy the limited progress in implementing the coherence side of the policy. Its 2008 communication to parliament acknowledged that the policy's objectives for government coherence had not so far been met and set out a more focused and practical approach (*Global Challenges GoS*, 2008a). This decision — to acknowledge the problems, try to identify the causes, and take action — is commendable and puts Sweden in a better position to make progress. Independent

consultants have also reviewed Sweden's approach to policy coherence for development, as part of a study of different approaches taken by EU countries (Mackie *et al.*, 2005). This review identified a similar set of obstacles to effective implementation and highlighted the need for greater political support at the highest levels. In its own review the government identified two main obstacles to progress: first, the large number of objectives in the policy; and second, the lack of attention to management and practical considerations. The new approach is intended to address these two obstacles. The re-launch has also reignited interest in parliament and in the administration and has increased buy-in from other ministries, particularly following high-level meetings and wider awareness-raising events within government. Meetings at the level of director general and state secretary have also increased. The government has also introduced the concept of "Team Sweden" (see below) to encourage joint activities and a common perspective. The direction of travel is positive, but some outstanding obstacles will still need to be overcome if all the policy coherence for development "building blocks" are to be put in place (Box 7).

### ***Improving the monitoring and reporting framework***

In the 2008 *Global Challenges* document, the government set out six global challenges which are cross-departmental and which replace the eleven areas of national policy outlined in the original policy (Box 1, Chapter 1). The new approach begins by defining what the government wants to achieve and then examining how different parts of the administration might contribute to this goal. This is the opposite of the 2003 policy approach, which set out objectives broadly by ministry. For example, trade and agriculture objectives are now joined up, and migration objectives now also consider impacts on developing country health systems. The new approach should help to foster shared objectives and break down ministerial "silos".

The government has reduced the number of goals (from over 50 to 18) and has sought to define and focus them more clearly. Implementation of each of the new goals will involve a range of ministries and agencies. For example, the first of two trade-related goals is to "Increase export of agricultural products from developing countries". Under this goal are four further objectives relating to the Doha development round, the European Common Agricultural Policy, Economic Partnership Agreements and aid for trade. These sub-objectives clarify what the government is seeking to achieve and are therefore easier to act on and monitor. The government is also committed to introducing time-bound measurable indicators to gauge progress against each goal. However, with less than a year to go before the government's 2010 report to parliament is due, indicators to measure overall progress and the contribution of different actors or indeed what baseline they should make progress from have yet to be agreed. Certainly, finding relevant and workable indicators and defining clear baselines is a challenging task. However, it should be a priority since it will provide Sweden with an opportunity to improve significantly its monitoring and, therefore, justify its decision to reduce the frequency of reporting to parliament from every to every other year. It will also help Sweden retain a leading role within the DAC on policy coherence for development.

### Box 7. The building blocks for policy coherence for development in Sweden: two phases

Building block	2005-2008: Between the last peer review and the policy re-launch	2008 and beyond: After the policy re-launch
<b>Building Block A:</b> Political commitment and policy statements	<p>Civil society awareness of and engagement in Sweden was initially relatively high; though the citizens forum was not held as planned. A coalition of CSOs produced a shadow report.</p> <p>The <i>Policy for Global Development</i> codified Swedish commitments to policy coherence for development in legislation.</p>	<p>Civil society awareness remains strong. As part of the re-launch Sweden held a parliamentary hearing involving civil society. Support and information is also available to CSOs to debate policy coherence.</p> <p>The re-launch of the policy has reignited commitment, particularly in the MFA up to ministerial level.</p>
<b>Building Block B:</b> Policy co-ordination mechanisms	<p>Co-ordination was based on existing mechanisms. Arbitration was a challenge for the MFA.</p> <p>Some ministries and agencies were not clear about how they could contribute. Some engaged only when reports were due.</p>	<p>New inter-ministerial working groups are being established during 2009. Arbitration is still a challenge. But, the government plans to establish a global policy development forum, under the MFA, to resolve differences*.</p> <p>The government is making more use of agencies' annual letters of appropriation to provide incentives for them to work towards policy coherence for development. There is now more clarity on the shared role in delivering the objectives.</p>
<b>Building Block C:</b> Monitoring, analysis and reporting systems	<p>The policy did not include time-bound action agendas or indicators.</p> <p>Field offices' involvement was patchy.</p> <p>The MFA had limited capacity to analyse issues and planned posts were not filled.</p> <p>Annual reporting to parliament was based on self evaluation, with no official independent scrutiny.</p> <p>Monitoring was difficult due to the large number of diffuse objectives and a lack of indicators or baselines.</p>	<p>Sweden has now committed to define and agree indicators against which progress can be measured*.</p> <p>Field involvement still varies by policy area, but there is a push to increase it in planning and reporting stages.</p> <p>There is still limited capacity to analyse PCD issues: the MFA has one person dedicated to the topic and involves others on specific issues. But there is a new commitment to increase knowledge across government and provide staff with analytical tools.*</p> <p>The MFA also plans to develop a manual for all government departments on how to assess potential development impacts of their policies*. Sweden has moved to reporting to parliament to every other year, still based on self evaluation.</p> <p>Objectives are now more focused and the government has agreed to define indicators to measure progress against them*. The MFA is establishing cross-departmental working groups for each of the objectives.</p>

\*Items marked with an asterisk (\*) were planned but not delivered at the time of writing.

There are still no plans for independent evaluation or scrutiny or for an external autonomous body to report overall progress on policy coherence for development. Given the MFA's limited capacity, external involvement in monitoring and evaluation would complement what the MFA can do internally. The recommendation from the 2005 peer review that SADEV could play a constructive role in evaluating whole-of-government issues therefore remains pertinent. For example, it could add value by providing an overall view of progress, or by looking in detail at one or two of the global challenges every year. To do so, however, SADEV would need to be appropriately resourced.

### ***Recognising the importance of practical implementation and co-ordination mechanisms***

In *Global Challenges*, the government committed to complete 16 practical actions to support implementation of policy coherence for development. Compared to the 2003 policy, practical issues are now receiving far greater consideration and this will help Sweden improve implementation. For example, the government committed to build knowledge and understanding across government through creating a tool or manual for assessing development impacts of policy decisions. However, this has not yet been delivered. The commitment to implement training initiatives is being met with MFA staff having given at least six presentations on policy coherence to other parts of government, for example.

For each of the six global challenges there is now an identifiable focal point in all relevant ministries or departments. This should help clarify accountability. The MFA is also establishing a working group for each of the challenges – at the time of writing five of six had recently been established. These initiatives are intended to increase intra-government engagement. The government has also committed to establish a global policy development forum, under the direction of the MFA, to promote coherence and synergies and clarify and resolve conflicts. At the time of writing, however, the forum had not yet met. To date, the MFA has had few tools with which it can co-ordinate and arbitrate decisions, and co-ordination mechanisms are still based on standard inter-ministerial consultations. It is not yet clear whether the new approach, with inter-ministerial targets and the proposed inter-ministerial forum, will increase the MFA's ability to arbitrate and resolve conflicts of interest. Informal communication across government is also important, but requires investment in human resources. This is currently a major constraint for the MFA, although it does now have a person responsible for managing policy coherence issues. If responsibility for implementation and co-ordination is to remain within the MFA, it will be vital that the MFA has (i) the tools to provide incentives to other parts of government and resolve conflicts of interest; and (ii) the human resources necessary to make both formal and informal co-ordination mechanisms work.

As experience with organisations such as the National Board of Trade shows, making explicit reference to policy coherence and the *Policy for Global Development* in letters of appropriation helps to ensure the issue is given due priority. It is therefore promising that the MFA recently identified 25 agencies and proposed that explicit reference be made to relevant “global challenges” in their 2009 letters of appropriation. In fact, around half of the agencies identified will now have this reference in the 2009 documentation. This initiative can be pushed further in 2010 and the MFA needs support from the highest

levels to ensure more agencies' letters of appropriation include reference to policy coherence for development. This will provide the MFA with some leverage to fulfil its co-ordination function.

The MFA is using the concept of “Team Sweden” to encourage coherent action by Swedish entities. The Team Sweden concept covers both policy coherence and whole-of-government approaches to development co-operation, which often intersect at field level. However, this model is still embryonic, particularly in the field.<sup>2</sup> It will also be important to ensure the Team Sweden concept includes non-government entities, particularly the private sector.

The MFA and Sida are now more actively encouraging consideration and feedback from the field on coherence of both Swedish policy and action. It is now mandatory for development co-operation strategies to address the relevance of other policy areas and Swedish actors. The process for strategy development also now involves other relevant parts of government (Chapter 4). To ensure this is followed through, country teams need to provide more substantive reporting and analysis on policy coherence issues and actors. In the co-operation strategy for Mozambique, for example, analysis of coherence of Swedish policy and activity in the country appears marginal. In contrast, Sweden is piloting a co-operation strategy for neighbouring South Africa which will not be restricted to development co-operation. The intention is to bring together the spectrum of Swedish actors and policies important in the South African context. However, full co-operation strategies are not mandatory for all the countries in which Sweden is engaged. In fact Sweden is now using co-operation strategies in most of its priority countries, though in some cases they cover shorter periods and provide less detail – notably in Sweden's “Category Four” countries. This, plus the lack of depth on policy coherence given in co-operation strategies, means that they have not yet acted as a comprehensive or systematic tool for mainstreaming field level consideration of policy coherence for development. In fragile situations both policy coherence and whole-of-government approaches can be acutely important because establishing stability is a precursor to development, and because a range of different agencies and ministries — such as the armed forces — may be involved. In the case of Afghanistan, Sweden developed a cross-departmental statement to try to pull separate ministerial strategies together. As Sweden intends to increase its co-operation in post-conflict countries, time invested in increasing coherence and more coherent procedures will be particularly fruitful.

## Future considerations

- In co-operation with international partners Sweden should finalise, as a matter of priority, workable indicators for measuring overall progress towards its cross-government objectives and different agencies' contributions to policy coherence for development.

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<sup>2</sup>

In Mozambique there was limited interaction with other Swedish bodies; one Swedish agency decided to withdraw from a project funded by Swedish development co-operation even though the embassy considered the project to be an important element of Sweden's support to Mozambican systems (Annex D).

- Sweden should assign a suitable organisation to provide independent monitoring and evaluation of Swedish policy coherence for development and report results to parliament.
- If the responsibility for implementation of policy coherence for development remains within a line ministry, Sweden needs to ensure this ministry has sufficient capacity and tools to co-ordinate and arbitrate. In particular it should increase further the use of agencies' annual letters of appropriation to improve their incentives to prioritise policy coherence for development.
- Sweden should continue to seek more systematic field involvement to improve understanding of the impacts of policy coherence and incoherence and ensure field staff consider the potential contribution of other agencies, ministries and non-state actors. Sweden can build on its use of country co-operation strategies to ensure country teams both consider and report back on policy coherence for development issues in the field.



## Chapter 3

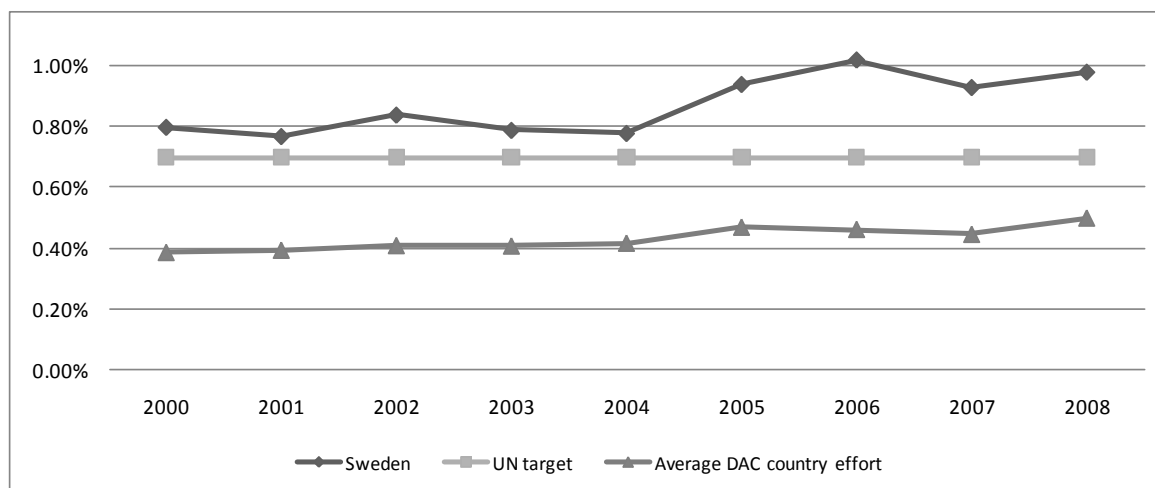
### Aid Volume, Channels and Allocations

#### Overall official development assistance

##### *Continued high share of GNI to development co-operation*

Sweden continues to be one of the most generous DAC member countries. In both 2007 and 2008 Sweden was one of only five DAC countries that exceeded the UN target of 0.7% of gross national income (GNI). In 2008, with allocations of 0.98% of GNI, Sweden was the most generous donor by this measure (Figure 1). In monetary terms, Swedish ODA in 2008 was USD 4.73 billion, making it the eighth biggest DAC donor that year.<sup>3</sup> Sweden has in fact exceeded the UN target since 1975; moreover, it has introduced its own target - 1% of GNI to development co-operation - since 2006, when it reached 1.02%. Although slightly reduced in 2007 and 2008, its commitment to 1% remains firm. In the budget bill for 2009 the government proposes that parliament again allocates 1% of GNI to development co-operation. This sets a good example to the rest of the world in the current economic climate.

**Figure 1. Swedish ODA/GNI trend compared to UN target and Average DAC country effort 2000 to 2008**



Source: OECD/DAC International Development Statistics

<sup>3</sup> 2008 data were preliminary in April 2009 and only available for overall ODA. More detailed statistics draw on 2007 data.

### ***The budget for Swedish development co-operation***

The development assistance budget for 2009 amounts to SEK 33.9 billion (USD 4.07 billion).<sup>4</sup> Deductions of SEK 3.8 billion (USD 0.46 billion) are made from this budget to cover, for example, refugee costs, debt relief and Sweden's contribution to the European Union's common development assistance. The remaining SEK 30.1 billion (USD 3.63 billion) includes appropriations for development assistance operations and reform co-operation in Eastern Europe. It also includes SEK 45.6 million (USD 55 million) for co-operation with Russia, which is not reported as development assistance to the DAC (Ministry for Finance, 2008). The budget includes annual appropriations for the four main agencies that fall under the MFA's responsibility: Sida, the Nordic Africa Institute, the Folke Bernadotte Academy, and the Swedish Agency for Development Evaluation. In addition, the budget also includes appropriations for the Swedish National Audit Office's technical co-operation programmes with partner countries' audit offices.

### **Bilateral co-operation: making Swedish development co-operation more focused**

In 2007, two-thirds of Sweden's ODA was bilateral and its total bilateral disbursements were USD 2.93 billion. Preliminary figures indicate that in 2008 Sweden disbursed USD 3.23 billion, or 68% of its total ODA, bilaterally. The projected budget for 2009 is approximately SEK 17 billion (USD 2.05 billion).<sup>5</sup> Approximately 80% of Sweden's bilateral aid is managed by Sida.

#### ***Modalities***

The biggest part of Sweden's bilateral development co-operation takes the form of project support, accounting for almost half of Sweden's total bilateral aid (Sida, 2008b). Programme support has increased modestly, from 11.4% of Sida's total development co-operation budget in 2005 to 13.6% in 2007. Within this the shares of general budget support and sector programme support have remained steady, at about 5% each since 2005 (Sida, 2008b). However, the 2008 Survey on Monitoring the Paris Declaration (OECD 2008c) indicates that 44 % of Sweden's aid to the 55 countries included in the survey uses common arrangements and procedures. Furthermore, Sweden intends to move towards greater use of programme support, in line with the Paris Declaration, as highlighted in the *Guidance on Programme-Based Approaches* (Sida, 2008c). In its 2009 annual letter of appropriation, the government instructed Sida to further increase its use of programme support.

#### ***Geographical breakdown***

Sub-Saharan Africa usually receives the largest share of Swedish bilateral aid and in recent years around half of bilateral aid has been allocated to this region. Moreover, in 2007 seven out of Sida's ten main partner countries were in sub-Saharan Africa (Table 1). 2005 and 2006 saw similar disbursements, the main variations being significant disbursements to Iraq in 2006 and to Sri Lanka in 2005. Around half of Sweden's bilateral ODA is traditionally allocated to the least developed countries, irrespective of geographical region.

<sup>4</sup> Note the apparent decline in Swedish ODA in USD is due to exchange rate fluctuations.

<sup>5</sup> For 2009 an exchange rate of 8.295 SEK/1 USD has been used throughout the document.

**Table 1. Sweden's ten main partners in 2007**

Country*	Disbursements in USD million, current prices
Tanzania	107.8
Mozambique	103.6
Sudan	68.1
Uganda	56.5
Afghanistan	56.5
Palestinian Adm. Areas	54.3
Zambia	53.7
Viet Nam	47
Kenya	45.5
Ethiopia	44.7

\* This table does not include Cameroon which received USD73.6 million in debt relief.

Source: OECD/DAC International Development Statistics

Sweden currently provides aid to 67 bilateral partner countries but, as already noted (Chapter 1), has begun to concentrate development co-operation in a smaller number of countries, aiming at 33 countries in 2011. This concentration is not a cost-saving measure; but rather the aim is to shift resources to better focus Swedish development co-operation (MFA, 2007b). This country reform process will result in a stronger focus on Africa; indeed, half of the countries with which Sweden plans to stay engaged beyond 2011 are in Sub-Saharan Africa. It will also result in an increased focus on Eastern Europe, as well as on conflict-affected countries and fragile states (Table 2). The country focus process is a major change in Swedish development co-operation but its full impact in terms of allocations remains to be seen. A greater focus on sub-Saharan Africa will help Sweden to increase the proportion of its support going to the poorest countries, in line with the poverty reduction focus of the *Policy for Global Development*. However, the focus on reform co-operation will also increase Sweden's allocations to Europe as a region, which, at double the DAC average in 2007, are already relatively high. Further increases to Swedish "reform co-operation" with Eastern Europe reflect Sweden's current prioritisation of governance and support its foreign policy objectives for EU enlargement. These countries are not amongst the poorest, nor is Swedish aid directly focused on helping the poorest groups within them; rather, the aim is to prepare recipient governments for EU accession and integration. Sweden asserts this is the most effective way to reduce poverty in the longer term.

**Table 2. Allocations to country categories in 2007 and expected allocations in 2011**

Category	Allocation in 2007 as a proportion of country programmable aid	Allocations in 2011 as a proportion of country programmable aid
Category 1: Long-term development co-operation	46 %	52 %
Category 2: Conflict/post-conflict situations	15 %	25 %
Category 3: Reform co-operation	12 %	14 %
Category 4: Democratic deficit	3 %	will increase
Category 5: Selective co-operation	8 %	will reduce
Category 6: Phasing-out	16 %	0 %

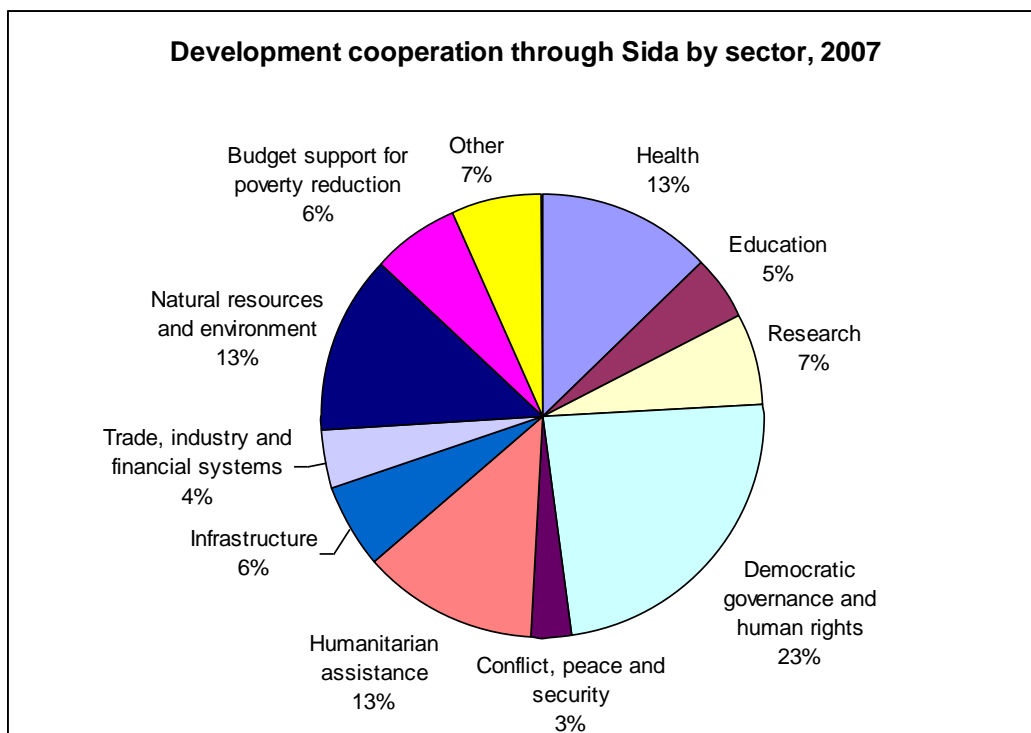
Source: Sida

Note: The OECD defines country programmable aid as the aid that remains after deducting humanitarian aid and debt relief, imputed student costs, administrative costs, promotion of development awareness, research and refugees in donor countries, food aid and aid from local governments, and core funding of NGOs. In other words, it is the aid that the partner countries themselves can programme according to their needs.

### Sector breakdown

Sweden is active in a wide range of sectors (Table B.5 in Annex B). Social infrastructure and services was the largest category in 2007 and received one-third of Sweden’s bilateral disbursements. Within this category, government and civil society was the largest sub-category. Humanitarian assistance was the second largest category. Statistics provided by Sida, which categorises its sectors slightly differently from DAC, indicate that democratic governance and human rights, as well as natural resources and environment, were two other significant sectors in 2007 (Figure 2). All of these are central elements of Sweden’s overarching *Policy for Global Development* (2003) so allocations to these sectors correspond well to the policy (Chapter 1).

**Figure 2. Sector spending by Sida 2007**



Source: Sida statistics

As noted in Chapter 1, the Swedish Government has outlined three thematic priorities: (i) democracy and human rights; (ii) environment and climate; and (iii) gender equality and women’s role in development (MFA, 2008d). Statistics show that Sweden is already allocating significant amounts to these three priority areas. As mentioned above, the sub-category “government and civil society” traditionally receives a large share of Swedish bilateral aid. Although environment as a sector has not received a substantial share of bilateral aid, and hence not been treated as a priority sector, indicators show that environmental concerns are mainstreamed in over half of Sweden’s bilateral aid portfolio (Chapter 6, Table 6). With the new emphasis on environment, allocations to the sector are expected to rise. Sida’s development co-operation has also traditionally prioritised gender equality. Sweden reported that as much as 88% of Sida’s assistance had some relevance to gender equality in 2007, a slight increase since 2005 (Table 3).

**Table 3. Gender equality focus of Sida's aid programme, 2005-2007**

	USD million, current prices (commitments)		
	2005	2006	2007
<b>Principal objective</b>	<b>300</b>	<b>162</b>	<b>210</b>
<b>Significant objective</b>	<b>1112</b>	<b>1493</b>	<b>769</b>
Not targeted	304	264	148
Not screened	0	0	0
Total sector-allocable aid	1716	1920	1307
<b>Gender equality focused aid</b>	<b>82%</b>	<b>86%</b>	<b>88%</b>

Source: OECD/DAC international development statistics

The increased focus on the three themes is not yet reflected in increased disbursements, but in 2009 the government committed funds to four new initiatives of which three are related to the priority themes. These are channelled through existing multilateral initiatives as well as through bilateral co-operation. They are as follows (MFA, 2009b):

- SEK 100 million (USD 12 million) to launch a democracy and freedom of expression initiative to further strengthen actors for democratic change.
- SEK 4 billion (USD 482 million) during 2009-2011 to a special climate initiative in the development co-operation area (Chapter 6).
- SEK 100 million (USD 12 million) to improve the health of mothers, and women's sexual and reproductive health and rights.
- SEK 100 million (USD 12 million) to support increased food production and reduce the risk of malnutrition and famine.

These allocations are within, and not additional to, the 1% ODA target. They show financial commitment to the themes and where channelled as multilateral support Sweden has generally been able to adhere to its pledge to provide unearmarked support to multilateral organisations (Gos 2007). However, mainstreaming these priorities throughout the development co-operation system will be a greater challenge. Integrating them into partner-led co-operation strategies will also require careful balancing if the principle of national ownership is to be adhered to in practice.

### Swedish development co-operation and civil society

Overall, Sweden is a strong supporter of civil society and supports civil society organisations in Sweden and in partner countries. CSOs constitute a significant channel for Swedish bilateral assistance. At 8% of total bilateral ODA, Swedish core support to CSOs is more than double the DAC average. In addition, support *through* CSOs to implement Swedish funded projects is large: 25% of total ODA in 2007. It has established strong partnerships and active dialogues with CSOs both at home and in partner countries. Sweden recently adopted a new policy on the role of CSOs in development co-operation with the objective of supporting “a vibrant and pluralistic civil society in developing countries that contributes effectively, with a rights-based approach, to poverty

reduction in all its dimensions” (MFA, 2009c). Accordingly, the emphasis of the new policy is on CSOs as partners and as central to voice and accountability, more than on simply using CSOs to implement Swedish funded projects. The allocations to CSOs match up well with the objective and with Sweden’s overarching policy. Sida’s 2008 Annual Report shows that the main sector within the CSO budget line is democratic governance and human rights, with natural resources and environment being the second biggest (Sida, 2009a). The Swedish Memorandum (GoS, 2008c) states that support is channelled via four complementary windows:

1. Sida can support Swedish so-called “frame organisations” with which it has long term co-operation and framework agreements in place. This is one of the main channels of support and is given in the form of programme support. There are currently 16 frame organisations.<sup>6</sup> Through these frame organisations and their networks, Sida aims to provide support for civil society in partner countries, while also strengthening local partner organisations
2. Support can also be given to CSOs at partner country level. This support can be given in addition to the three priority sectors identified in country co-operation strategies. CSO support at country level can also be channelled via international CSOs or multilateral organisations.
3. International CSOs may be granted support within the strategy for global programmes.
4. CSOs can also receive support from the humanitarian assistance budget. Some of this funding is through frame agreements; other funding is crisis-specific (Annex C).

### **Multilateral aid: a significant part of Swedish ODA**

Sweden sees multilateral organisations as important actors in international co-operation, as several donors can come together over joint objectives and thereby have a greater impact in their contribution to development. This view is reflected in Sweden’s disbursements of development aid: one-third of Swedish ODA, or USD 1.41 billion, was given to over 50 different multilateral organisations in 2007. In absolute terms Sweden’s support to multilateral organisations has nearly doubled in the past ten years. However, because Sweden’s overall ODA budget has increased, the share of multilateral aid as a proportion of ODA, excluding debt relief, has remained constant (OECD, 2008b). The MFA manages Sweden’s support to multilateral organisations, which is generally core support and un-earmarked, in line with the government’s new *Strategy for Multilateral Development Co-operation* (GoS, 2007). This decision, to concentrate on core support, is good practice and sets an example for other donors.

Historically, Sweden has been a strong supporter of the UN system and the UN has been Sweden’s predominant multilateral aid recipient. Sweden usually provides core

<sup>6</sup> Forum Syd, LO/TCO Council of International Trade Union Co-operation, Olof Palme International Centre, The Swedish Pentecostal Mission, Swedish Organisations' of Disabled Persons International Aid Association, Swedish Mission Council, Africa Groups of Sweden, Diakonia, Swedish Cooperative Centre, Plan Sverige, Swedish Society for Nature Conservation, Save the Children Sweden, Church of Sweden, World Wide Fund for Nature, The Swedish Association for Sexuality Education and The Swedish Red Cross.

funding to UN agencies and is among the largest contributors to several.<sup>7</sup> In 2007, UN agencies received 38% of Sweden’s multilateral ODA, or 12% of total ODA (Figure 3). This is more than double the DAC average. Within the UN system, the United Nations Development Program (UNDP), Office of the UN High Commissioner for Refugees (UNHCR) and United Nations Children’s Fund (UNICEF) were the three largest beneficiaries (Figure 3). Sweden is also a strong supporter of the One UN project, providing both financial and political support to the process (Ministry for Finance, 2008). Contributions to the World Bank group and the EC amounted to 23% and 22% of multilateral ODA in 2007 respectively (7% each of total ODA), while the regional development banks accounted for 10% of multilateral ODA. The African Development Bank was the largest recipient of the regional banks.

In addition to reported multilateral support, Sweden also channels some of its bilateral aid through multilateral agencies. This “multi-bi” support is reported as bilateral aid, in line with DAC directives. Sweden reports that “multi-bi” support amounted to USD 602 million in 2007, including humanitarian assistance (GoS 2008c). If both multilateral co-operation and multi-bi co-operation are included, Sweden allocated almost half of all ODA *to or through* multilaterals. The multi-bi support disbursed by Sida went to over 70 organisations.<sup>8</sup> The government’s new multilateral strategy calls for greater complementarity between Swedish multilateral aid and multi-bi aid. Sida has recently begun mapping its support through multilaterals. This should provide a helpful basis for analysing how well this support fits with the MFA’s decisions on which organisations are sufficiently relevant and effective. It is positive that Sweden has initiated work to strengthen complementarities between its multilateral and multi-bi aid and is encouraged to build on this.

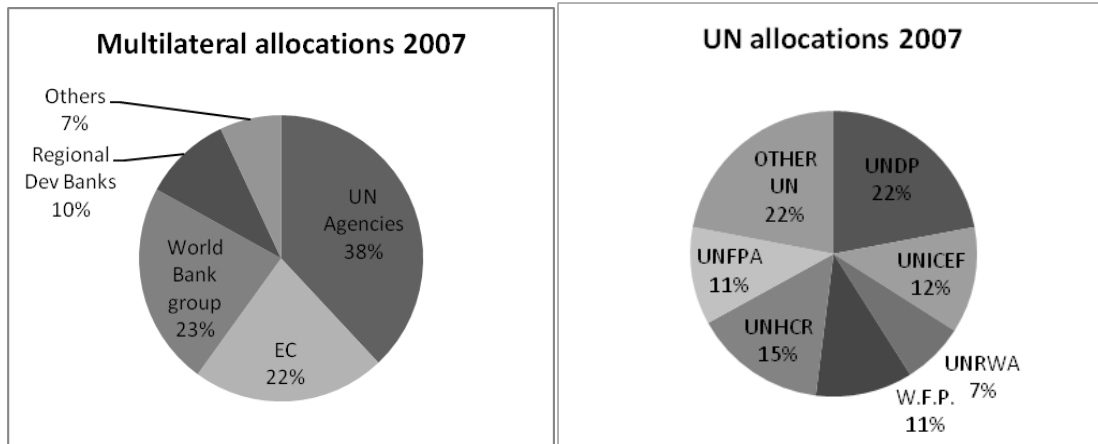
Sweden’s new multilateral strategy is designed to increase the relevance and effectiveness of Swedish support to multilateral organisations (Chapter 1). In March 2009, the Minister for International Development Co-operation released the findings of reviews of 23 multilateral agencies, including international financial institutions, which receive over USD 2.4 million per year (MFA, 2009d). These assessments will be used as part of the basis for decisions on support to an organisation; they will also be used in policy dialogues and when organisational strategies are produced. The extent to which the new strategy will affect the volume of allocations and the number of organisations supported is not yet clear. Given the relatively small number of staff in the multilateral section, rationalising the number of multilaterals will be imperative if Sweden is “to act in the multilateral system on equal terms with other interested parties, and ... not be at a competitive disadvantage” (GoS, 2007). This may lead to deeper engagement with a select group of multilateral agencies and a diminished engagement with — or even withdrawal from — agencies with more peripheral contributions to Sweden’s main objectives. Similarly, more staff resources may be required for Sweden to fulfil its objective of deeper and more strategic engagement. The starting point for rationalising engagement with the multilateral system should be the priorities outlined in the *Policy for Global Development* as well as assessments of efficiency and effectiveness (Chapter 1).

<sup>7</sup> Sweden was the third biggest donor to the United Nations Development Program in 2007, third largest donor to the UN Office for Co-ordination of Humanitarian Affairs (OCHA) in 2007, fourth biggest donor to the Office of the UN High Commissioner for Refugees (UNHCR) in 2008, and fifth biggest donor to the United Nations Children’s Fund (UNICEF) in 2007 (second biggest if only looking at regular resources).

<sup>8</sup> Data supplied by Sida.

This will ensure that the goals and objectives of Swedish development and humanitarian assistance determine which multilateral organisations to support, as well as how much support they receive.

**Figure 3. Sweden's multilateral allocations 2007**



Source: OECD/DAC International Development Statistics

Note: UNRWA: United Nations Relief and Works Agency for Palestine Refugees in the Near East; UNFPA: United Nations Population Fund; WFP: World Food Programme

### Future considerations

- Sweden is commended for continuing to exceed the UN ODA target of 0.7 per cent and for its commitment to reach 1% of GNI. This sets a strong example for the international community in the current economic climate.
- The review team commends Sweden's efforts to reduce the geographical spread of its aid and focus on increasing quality where it remains engaged. Sweden should ensure that any changes to the geographical allocation of bilateral aid are closely aligned with the strong poverty reduction focus of the *Policy for Global Development*.
- Sweden should focus its support to the multilateral system strategically, in line with the development objectives identified in the *Policy for Global Development*. To do so, Sweden should use recent assessments of multilateral organisations as a basis for deciding on reducing the large number of separate contributions. Sweden should be mindful that more staff resources may be required to fulfil its policy objective of deeper multilateral engagement.

## Chapter 4

### Organisation and Management

#### Sweden's organisational basis for development co-operation

The Swedish model of government is based on small ministries which manage a range of agencies. In theory, ministries set policies, and agencies – managed through annual letters of appropriation and specific government decisions – implement them. As part of its overall responsibility for development co-operation, MFA manages the four agencies implementing development policy. These are Sida, SADEV, the Nordic Africa Institute and the Folke Bernadotte Academy. Sida was formed in 1995 by the amalgamation of four smaller entities. It is by far the largest of the four development co-operation agencies and disburses over 80% of Sweden's bilateral aid. Parliament also allocates funds to the Swedish National Audit Office for its technical co-operation with partner country audit institutions via the MFA, and this organisation reports to parliament, Swedfund, a state owned risk capital company also receives funding via the MFA. The Ministry for Defence has responsibility for the Swedish Civil Contingencies Agency which plays a role in Sweden's response to humanitarian disasters (Annex C). The MFA manages most of Sweden's core contributions to multilaterals (Chapter 1).

#### Recent organisational changes

##### *The stimuli for change*

Parliament approves an annual budget bill, and the government also presents three-year indicative spending plans. Both the MFA and Sida spend around 5% of their budgets on administration, including staff costs. As part of a wider government drive for efficiency, increases in administration costs, agreed by parliament, are set below the level of inflation and are not linked to increases in operational budgets. The MFA cut total staff numbers by nearly 6% between 2006 and 2008. Sida's staff numbers have remained constant over the same period. Within this framework, Sweden has launched a number of organisational and management changes, stimulated by a range of domestic and international factors.

Domestically, there was a strong demand from parliament and the public for better accountability and reporting of and management for results. Reports by the Swedish National Audit Office have led to changes in the management of projects and programmes (Riksrevisionen, 2007a and 2007b). A 2005 MFA commissioned report by the Swedish Agency for Public Management, which examined the management of Swedish international development co-operation, cast doubt on the division of labour between Sida and the MFA (Statskontoret, 2005). At that time most Swedish development policies emanated from Sida, not from the MFA. The report highlighted that this was not consistent with the expected leadership role of a government ministry and recommended that Sida's policy work be restricted to guidance, to enable the MFA to regain control of policy and strategy. The report also recommended a review of the

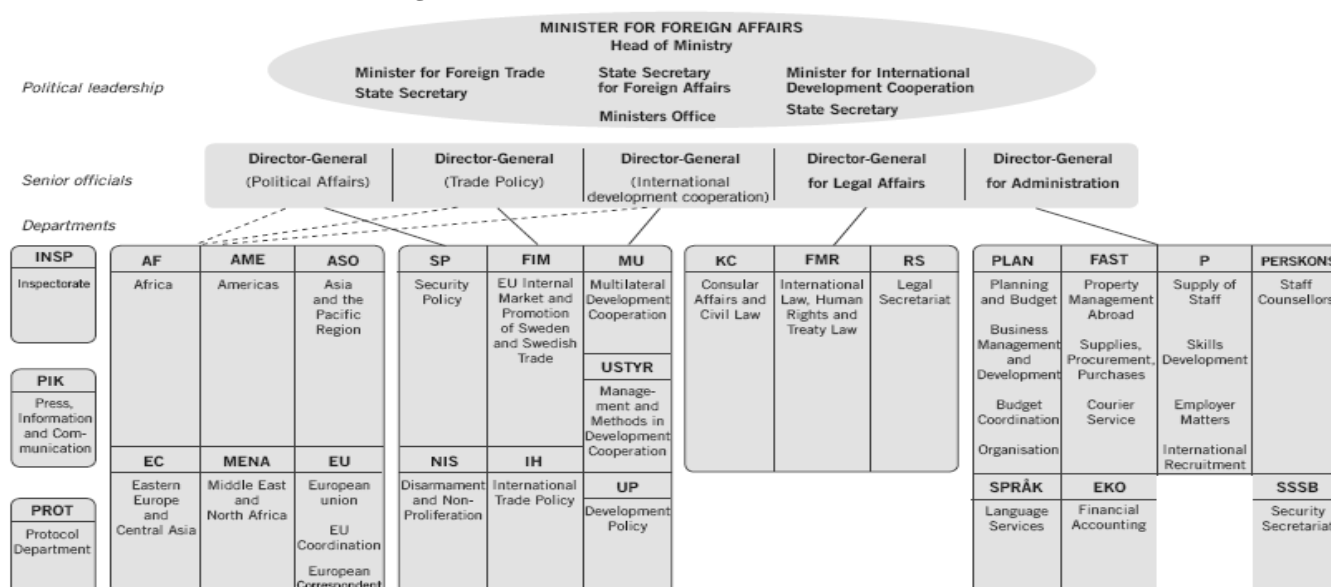
responsibilities of Sida's different departments and greater support to embassies. The Parliamentary Committee on Foreign Affairs raised concerns about Sweden's management of multilateral aid and recommended a more strategic and results-orientated approach (Riksdagen, 2005).

International reviews and events have also encouraged Sweden to reform its development co-operation system. The 2005 DAC peer review noted amongst other things a "forest of policies", the complex and detailed demands in Sida's annual letter of appropriation and the importance of decentralisation, the need to understand better the results of Swedish aid and the need for a more strategic selection of partner countries and of multilateral organisations (Annex A). Sweden's commitments to the Paris Declaration have had a strong influence on the new direction. The priorities outlined in the Accra Agenda for Action have also started to feed into wider change processes. Further, as a keen advocate of the *EU Code of Conduct on the Division of Labour*, Sweden has also launched changes to help it live up to the code (Chapter 5).

### *The MFA's new organisational structure*

The MFA restructured in 2006 (Figure 4). There is now a Director General with overall responsibility for international development co-operation; previously the area was the responsibility of a deputy director general. This is a useful upgrade given the importance of development co-operation to Swedish government objectives. There are three development co-operation units: (i) Multilateral Development Co-operation; (ii) Management and Methods in Development Co-operation; and (iii) Development Policy. The section for humanitarian affairs and conflict prevention and peace building is part of the Security Policy Department (Annex C). The ministry has also established a Development Policy Council, made up of 12 independent experts, to advise it on key policy priorities and coherence issues. This replaced the Expert Group on Development Issues.

**Figure 4. The structure of MFA since 2006**

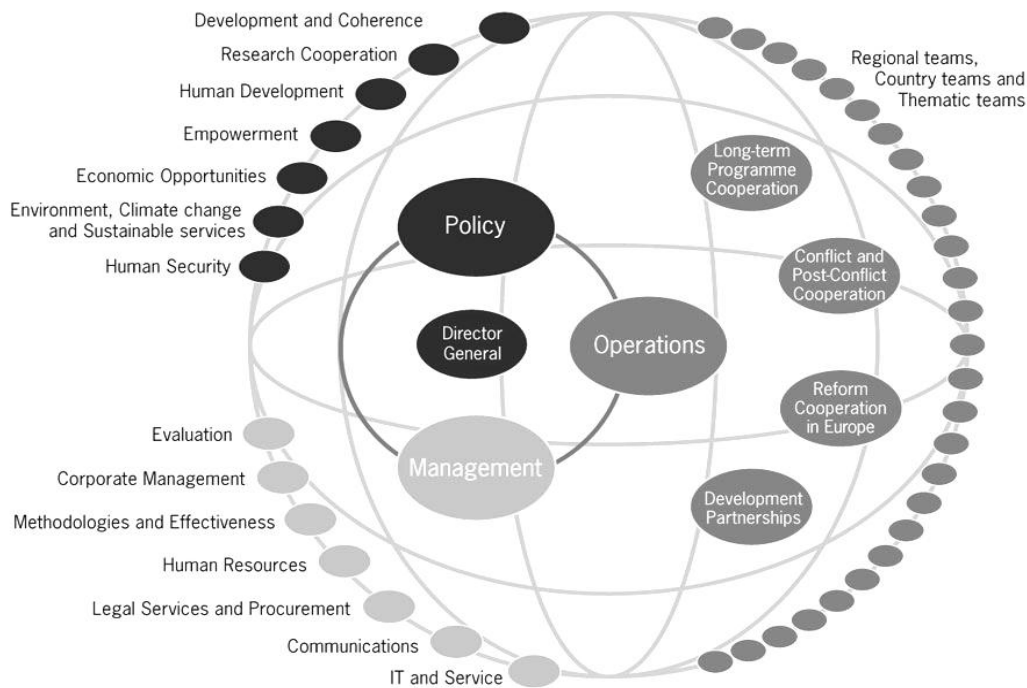


Source: Swedish Ministry for Foreign Affairs, January 2009.

Nearly three years on, the new organisational structure is well embedded, though capacity remains a significant constraint. It is not clear that the MFA's ambition — to lead Swedish development co-operation and to play an increasingly important role on the international stage — can be fully achieved with current resources. The 60 staff working in the three units for development co-operation make up less than 10% of the ministry's Sweden-based staff; though it is worth noting that staff in the geographic departments may also work on development related issues in their respective regions. The new Department for Development Policy, which includes responsibility for policy coherence for development and writing new policies for co-operation, has 17 members of staff. In 2005, before the MFA took on full responsibility for policies, the MFA had a unit for policy implementation and review and a unit for policy coherence, with a total of 24 members of staff (OECD, 2005a). Overall the MFA expects further staff cuts, but it will be important to protect existing capacity in the development departments if Sweden is both to achieve its objectives and manage significant change.

### ***Organisational changes at Sida***

In late 2008 Sida also restructured (Figure 5). The new structure has three “pillars”: policy, operations and management. The operations pillar is responsible for strategy and implementation and includes thematic, regional and country teams. The policy and management pillars are both expected to provide specific expertise and support to operational implementation. Sida is in the process of establishing a series of staff “networks” intended to bring people from different departments and pillars together. All members of the Operations pillar will have to join at least one of the thematic staff networks that are hosted in the policy and management pillars. The Director General has also established a Strategic Management Group, comprised of all department directors, and an Operational Leadership Group, consisting of the five most senior members of Sida's management team. In line with wider changes in Sweden, Sida's Board has been replaced by an Advisory Council. As at December 2008 Sida had over 900 members of staff, over two-thirds of whom are based in Stockholm.

**Figure 5. The structure of Sida since October 2008**

Source: Sida, October 2008

Sida's restructuring is in the early stages; as one senior Sida staff member pointed out, "this organisation is only months old". The restructuring is a response to recommendations from various reviews, to reflect and support MFA changes and initiatives, to decentralise to the field and to resolve internal tensions and disconnects between regional and thematic teams, which had in the past worked in isolation. Whether the new structure achieves these goals will become clear over the next two or three years. While the new structure may solve old tensions, it also raises new practical challenges, each of which will need to be managed closely to ensure the new structure is a success. For example:

- Grouping operational departments by the type of engagement rather than geographical region (Chapter 1) has the potential to increase learning, particularly on specific modalities. However, Sweden will need to find other ways to preserve a regional perspective on cross-border issues — such as insecurity, environment and climate change — where neighbouring countries fall into different categories.
- The introduction of "networks" of staff is intended to increase intra-agency learning and coherence. Sida sees these networks as crucial to the functioning of its new structure. Although it has given each thematic network a budget for learning and a focal person, the networks were still conceptual rather than operational at the time of the peer review visits. Ensuring they become an effective tool to overcome departmental boundaries, and not simply a talking shop or e-mail exchange, will require careful planning and management and strong working level ownership.

- Unlike the former board, Sida's new Advisory Council does not have formal responsibilities for oversight and approval of Sida's activities and budget. It is chaired by the Director General who takes major decisions including proposing what the Advisory Council should have input into. This has implications for those functions that previously had separate lines of reporting to ensure their independence, namely internal audit and internal evaluation. Members of the Advisory Council also require greater clarity about the purpose and content of their role. It should be noted, however, that this change is in line with wider changes to the governance of Swedish government agencies, rather than part of Sida's own restructuring plan.

### *Changes at field level*

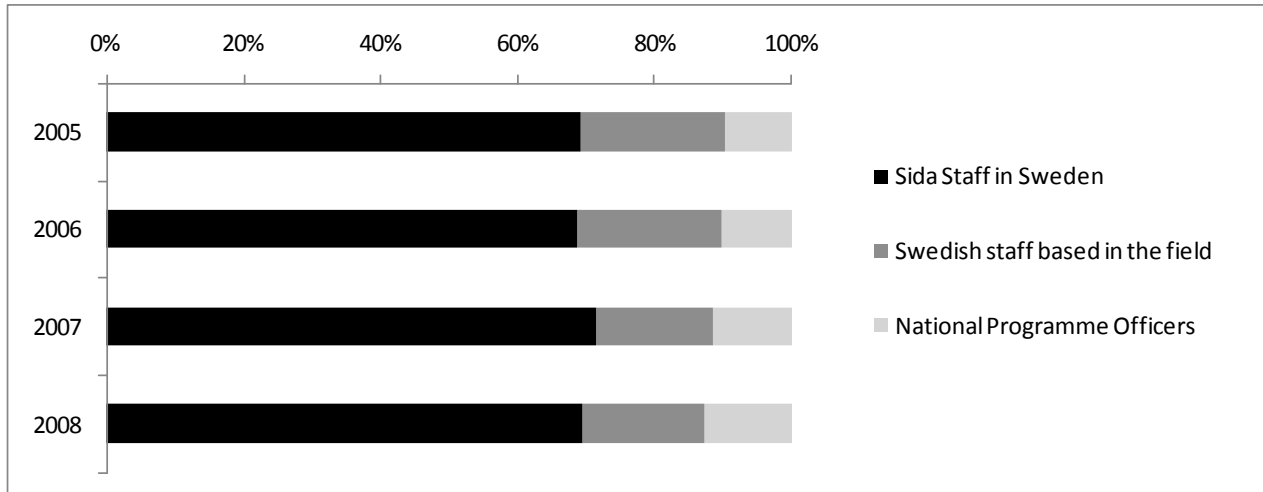
While in headquarters the aim is to establish a clearer division of labour between the MFA and Sida, in the field the objective is to achieve an integrated team. Sida staff may be based in-country or at headquarters; staff at headquarters may be members of more than one country team, which can make line management complex but may facilitate sharing lessons. The Sida Director General delegates authority to the MFA appointed ambassador who has overall responsibility for development co-operation and the embassy. The ambassador then usually delegates authority to the Sida appointed country director who is normally also the deputy to the ambassador. The ambassador has double reporting lines — to both the MFA and to Sida. Accordingly, Sida is now consulted on ambassadorial appointments to countries where Sweden has large bilateral programmes.

Sweden has made some progress in decentralising its development co-operation by delegating financial authority to more field offices. Once a co-operation strategy and overall resource envelope have been agreed with headquarters, in most cases the ambassador or country director has the authority to agree disbursements up to a ceiling of 50 million SEK (USD 7.5 million). Above 50 million SEK, decisions are referred to the Sida department director in headquarters and to the head of Sida's operations pillar (Figure 5) for disbursements above 200 million SEK (USD 30 million). Disbursements for general budget support must always be referred to headquarters. For smaller country programmes and some conflict-affected countries there is no delegation to the field and much of the country team, including the country director, may be based in Stockholm. These programmes are now the exception rather than the rule.

Sweden is also trying to decentralise by posting more staff to the field. However, the proportion of staff located in the field, whether employed by the MFA or by Sida, has not notably increased since the last peer review. In 2008, roughly 30% of all Sida staff were in the field (including both those posted from Sweden and those recruited locally), showing no significant change from 2005 (Figure 6). However, Sida has recruited 32 additional National Programme Officers over the same period, which is a very positive move. National Programme Officers play an increasingly important role, including in retaining institutional memory in country teams. Sida overseas postings are usually two years with a possible one year extension. Sida should consider increasing the length of some overseas assignments, so that staff will be expected to commit to a longer period in more popular postings. It may need to consider additional incentives to attract experienced staff to more difficult locations. There are also extra costs associated with posting Swedish based staff overseas, especially in insecure locations. Therefore, parliament's decision to give Sida an additional 10 million SEK (USD 1.21 million) in 2009 specifically to support decentralisation of staff to the field, should allow Sida to make significant progress during the year. Despite reducing the number of sectors in

which it operates in each partner country, country teams may be expected to provide support to civil society and research, general budget support, humanitarian assistance and the government's three priority themes; this means that each team still needs a broad range of expertise.

**Figure 6. The location of Sida staff 2005-2008**



Source: Sida statistics

## Recent process and management changes

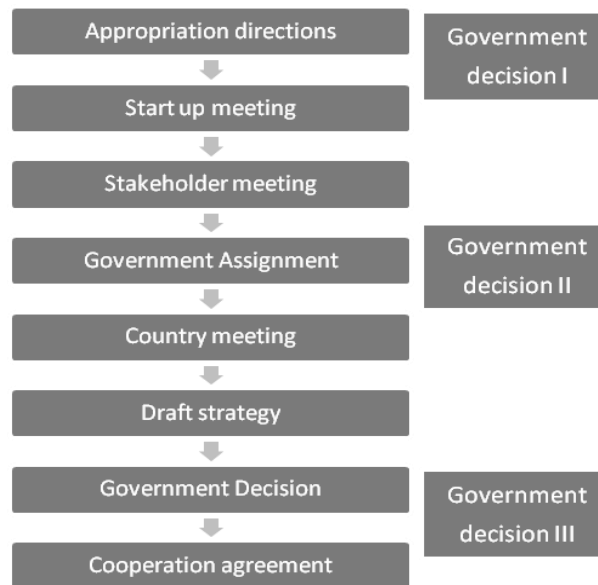
### *Changes to bilateral programme management processes*

In 2005, Sweden introduced new guidelines for formulating co-operation strategies, the main documents in which Sweden's bilateral country programmes are outlined (GoS, 2005). The guidelines were also updated in 2006 and 2007. Co-operation strategies are now produced for most of Sweden's priority countries, though where they have been developed for fragile and post-conflict countries it is often for a shorter period and the guidelines may be less strictly applied. The co-operation strategies have helped to increase the predictability of Swedish bilateral support, since the government gives approval for an overall budget for the full period. However, Sweden is encouraged to develop strategies covering five years, rather than three or four, for its long-term co-operation partners and to work towards increasing the predictability of the projects and programmes within the overall country programmes there. This would help both partner countries and Swedish country teams to plan ahead. In line with the principles for good international engagement in fragile states, Sweden should also examine how it can increase the predictability of its support in conflict and post-conflict countries (OECD, 2007).

The MFA leads the process for designing and agreeing a co-operation strategy, though asks Sida to provide a first draft. It seeks to involve various parts of government, other stakeholders in Sweden and, later, representatives of the partner country. Government approval is required at three separate stages of the process, which altogether should take a maximum of 10 months (Figure 7). In practice, the process has been subject to some delays, partly due to the change in government and the recent country focus

process. For example, although the Mozambique co-operation strategy was drafted in 2006, it was not formally launched until March 2009 because the government decision to approve the draft was late. However, the process was also flexible enough to allow Sweden to take part in a Government of Mozambique-led consultation with 19 donors on future co-operation strategies. Once the co-operation strategy is agreed, Sida draws up a country plan detailing how it will be implemented. These plans are multi-year and rolled forward on an annual basis. To date, all co-operation strategies are MFA-only documents although Sweden is currently piloting a cross government co-operation strategy in South Africa.

**Figure 7. The process for developing a co-operation strategy**



Source: MFA Guidelines for Co-operation Strategies

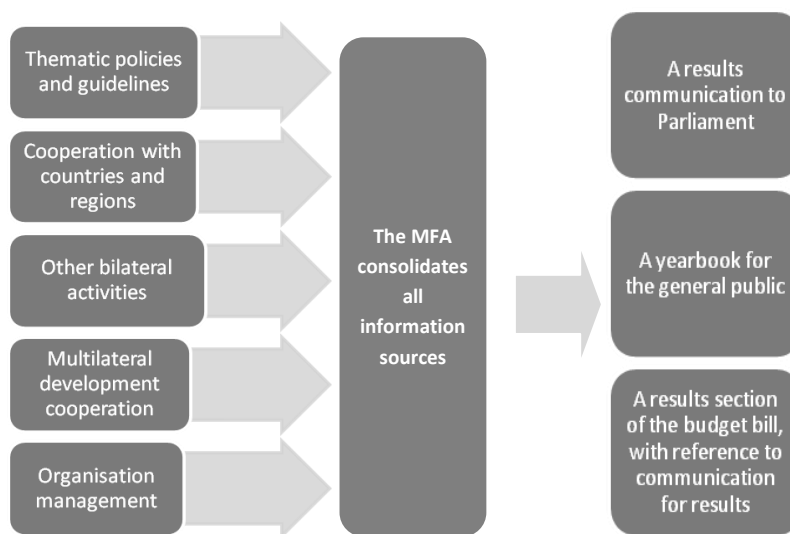
For staff managing individual contributions, two of the most significant changes relate to budget support and programme-based approaches. Sweden updated its guidelines for budget support in 2008. Staff are in the process of reconciling these guidelines with existing joint donor agreements with partner countries (Chapter 5). In September 2008, Sida introduced *Guidance for Programme Based Approaches* (Sida, 2008c). These state that “Sida should apply a programme based approach to all of its development co-operation”. In an organisation in which around half of its work is project based, this is a major change and will take time to implement. Although it has been heavily promoted internally, the guidance is too recent yet to have had a major impact. Staff will need support and training to supplement their project management experience with new approaches, as well as skills in negotiation and dialogue. In Sida’s current plan for staff competence development, however, training in programme-based approaches does not appear to be given sufficient priority in this plan. A high demand for learning based on practical experience and case studies means that Sida is making a more significant investment in such training. Overall, Sweden’s numerous management changes will need to be supported with a programme to ensure Sweden has the right skills to deliver them, including practical training for existing staff.

### *The shift to results-based management*

In 2007, the government made results-based management a top priority; in both the MFA and Sida, efforts are underway to realise this goal. Sida has published a short accessible pamphlet which sets out what management for development results really means, and some basic principles in applying it (Sida, 2007a). The MFA has also developed a *Model for Strengthened Results-based Management in Development Co-operation* (MFA, 2008e). The fact that results-based management is so high on the agenda in the Swedish development co-operation system is commendable, but embedding results-based management will inevitably take time. Retaining focus on this task and investing staff and management time will be crucial. Working closely with peers going through similar processes will also help Sweden to refine its approach.

Sweden places a strong emphasis on the external reporting of results and the MFA has identified three key reporting outputs (Figure 8). Sida's new results annex to its annual report is the agency's main contribution to the MFA co-ordinated reports. The 2008 results annex is the first step in a major move away from reporting how much has been spent on what and where, towards demonstrating what has actually been achieved. It will be important, however, to ensure that reporting requirements are not complicated by too many themes and priorities.

**Figure 8. Sweden's new process for reporting the results of its development co-operation**



Source: MFA 2008a

Results-based management is not simply about external reporting, although it should contribute to this important function. Sweden should ensure that the very real need to report the results of its development co-operation does not overshadow the details of how, in practice, it can create a more results orientated development co-operation system. For a donor, the principal purpose of results based management is to ensure aid is managed by and for development results and that decisions on what to do and how to do it are informed by evidence from experience. The donor should, therefore, clearly specify the goals and objectives and closely link these to the resources — human and financial — required to deliver them. However, in the past, operational objectives within the Swedish development co-operation system and individual projects and programmes have not

always been clear. For example, an evaluation of Sida's research programme supporting partner country universities found that "anticipated results and effects are seldom defined and quantified in advance, which means measurement of the impact is difficult" (Sida, 2006a).

Some important activities are underway to entrench results-based management. For example, Sida has established a Quality Assurance Committee to review each new proposal over 100m SEK (USD 15 million) for results orientation. Sida's new three year operational planning tool now also requires annual reviews of progress, rather than just a completion report. These reviews will allow teams to identify where and why something may be going off track or where indicators are inappropriate, and develop remedies. Sida has also now introduced a country reporting matrix which compels country teams to identify indicators to assess progress at both country and at sector levels and to monitor them annually. At the time of writing Sida had not developed results matrices for all the countries in which it works. In Mozambique, where Sida does have a matrix, the country team was struggling to identify indicators to gauge the results of Swedish dialogue with Mozambique. Supporting all country, regional and thematic teams to finalise matrices should be a priority for 2009. Importantly, Sida has also recently introduced results objectives for both individuals and teams which link to corporate objectives, potentially creating a better link between individual staff incentives and achieving development and organisational results.

At the time of the peer review visits, few staff were clear on what results-based management really means in practice. Practical training is vital. Sida has a comprehensive training plan for 2009-2011 in which results-based management is one of dozens of topics to be covered (Sida, 2008e). Sida should give higher priority to results-based management within its training plan. Further, Sida's very detailed manual on managing individual projects and programmes focuses strongly on planning and approval processes but provides no guidance on and makes no mention of results-based management (Sida, 2005c). Sida states that during 2009 it will update and simplify this manual and the overarching staff manual, *Sida at Work* (Sida, 2005d). It should ensure better coverage of results based management, including what projects and programmes that are really managed by and for results look like in practice.

### ***Changes to Sweden's evaluation functions***

In 2006 Sweden established SADEV, the Swedish Agency for Development Evaluation. Its mandate is to produce evaluations on any aspect of Swedish development co-operation, whether bilateral or multilateral, this does not include policy coherence for development (Chapter 2). SADEV's letter of appropriation makes clear that evaluation topics must be highly relevant for government decisions on development co-operation, but within this framework it has independence in which topics it chooses and how it conducts evaluations (GoS, 2008c). SADEV has a budget for 20 staff, including 17 professional evaluators who conduct the evaluations in-house. The agency can therefore only cover a selection of topics within the broad mandate of all development co-operation. SADEV is now making its mark, despite initial problems — including changes to its instructions from government and to its leadership, as well as co-ordination problems with Sida. It has produced some useful evaluations covering a small selection of multilateral and thematic issues, such as corruption. While the MFA has the overall responsibility to ensure that evaluations relating to Swedish development co-operation are

acted on, as yet there is no formal mechanism to ensure the government as a whole, the MFA or implementing agencies such as Sida, act on SADEV's evaluation findings.

SADEV is increasingly working closely with other donors evaluation departments, including Sida, other DAC members and partner countries. In particular, the leading role SADEV has played in the DAC study on joint evaluations and its commitment to conducting evaluations jointly with DAC members is welcome and well aligned to wider commitments to harmonisation.

Sida's internal Evaluation Secretariat commissions external consultants to conduct many of its evaluations and has increasingly been doing so jointly with other donors. Following the establishment of SADEV, Sida's internal evaluation is becoming more oriented towards management, leaving SADEV to provide independent oversight and scrutiny. Sida is also subject to other sources of external scrutiny, notably Sweden's National Audit Office, which can conduct performance audits on a specific aspect of Swedish development co-operation every year. Sida's new internal Evaluation Secretariat will have three roles, each taking up roughly one-third of its time. In 2009, for example, the evaluation department plans to:

1. Commission five evaluations on topics of its own choosing; the majority of these will be conducted jointly with other donors or partners and all will be published.
2. Work with operational teams, including those in the field and those working on specific themes or sectors, to commission a further 15 evaluations on topics identified by the teams. These are less likely to be conducted in co-operation with other donors but will also be published.
3. Act as a responsive advisory service for internally-conducted project and programme reviews, as and when required. This third role for the evaluation team is a proactive response to concerns about the quality of some of the reviews conducted and commissioned by other parts of Sida (Sida, 2008d).

Under Sida's previous organisational structure there was a separate Secretariat for Internal Evaluation and Audit, which was an independent department reporting to the Sida Board. The new Advisory Council does not play this formal role. Internal audit now reports directly to the Director General and the Secretariat for Evaluation has been placed under the management pillar (Figure 5). Importantly, however, the evaluation team will report to the Director General and not to the head of the management pillar. This will be helpful for achieving impact in other parts of the organisation and is still in line with the DAC Principles for Evaluation of Development Co-operation. The Director General will approve the team's work plan and budget. For 2009 he has approved the proposed budget, bringing the evaluation team's staffing back up to 2007 levels.

As Sida's evaluation function changes it will be important to safeguard its existing strengths and capacities. These include ensuring a degree of independence and, therefore, credibility (OECD, 1991 and 1998). Clarity is needed on the degree of autonomy that the evaluation team will have, and the role that the external quality assurance will play in evaluations. Autonomy is important for impartiality and therefore the credibility of evaluation. The new structure provides an opportunity to reinvigorate the management response system for evaluations. At the time of writing, of the 13 central evaluations published since 2006, only three had received a formal management response. Such a response, as well as the wide circulation of evaluation findings, is essential for the impact

of the evaluation function. Sida plans to introduce a new system in the course of 2009, once introduced Sida must ensure it is adhered to in practice. Sida should make clear, in the new evaluation guidelines also planned for 2009, how the management response system's proper functioning and evaluation's independence will be guaranteed.

### **People: at the heart of implementing change**

It is the staff working in Sweden's development co-operation system who will deliver the government's ambitious agenda for change. Sweden needs to ensure it has the people and skills in place to support its ambitions. While some changes may allow Sweden to make efficiency gains over the long term, in the short and medium term they will require a significant investment in human resources. For example, Sweden intends to increase its use of programmatic approaches but cannot assume that this will allow it to reduce staffing levels in the near future. Indeed, it is likely to require both time and training to implement effectively. Similarly, improving harmonisation and increasing dialogue in-country is time consuming and needs to be better reflected in Sweden's resourcing of, and support to, its country teams. Furthermore, though Sweden is reducing the number of sectors in which it works at country level, at the global level Sweden will continue to operate in and therefore need expertise across a broad range of sectors. For all these reasons this is not an appropriate time to make staff cuts; in fact Sweden should strengthen staffing levels in some key areas.

For the MFA, human resources are particularly limited at a time when the ministry is implementing numerous changes and taking on more responsibility. For example, although gender equality is one of three priority themes for the government, the MFA has only one full time member of staff working on the issue. Effective implementation of Sweden's new multilateral strategy (Chapter 1) will also require significant staff time, not only to make the assessments and manage disbursements, but also to engage with key multilateral organisations. Furthermore, this year Sweden takes up the Presidency of the European Union, putting further pressure on MFA staff. During this period in particular it will be important to ensure a critical mass is retained to take forward and manage changes within the system, while also fulfilling an important international leadership role. Beyond the 2009 European Presidency, Sweden's high level of ambition for its development co-operation and associated workload for the MFA mean that consolidating its human resources will be crucial. Calibrating resources to objectives is a central aspect of results-based management.

To deliver new priorities, both the MFA and Sida need a strategy now to ensure they can allocate human resources and their training budgets appropriately. Sweden's increased focus on post-conflict countries, coupled with a commitment to increase decentralisation of staff to the field, means a strategy for meeting new staffing needs will be crucial. This is particularly so in fragile states where additional incentives may be necessary. The skills most in demand reflect Sweden's increased focus on conflict-affected countries and on environment and climate change. Sida is also mindful that as the implementing agency, its staff are at the forefront of changing how Swedish bilateral aid works. Sida has therefore developed a competence and training plan. The peer review team felt that Sida staff would benefit if training were more strongly focused on the two biggest process changes: the new focus on results-based management and programme-based approaches. Sida's new Department for Methodologies is mindful of these major challenges and is providing some additional training. The training should be practically orientated, based on real life examples and case studies, rather than explained through

further detailed and highly theoretical guidance documents. There may also be a role for the staff networks, once they are operational.

### **Future considerations**

- The challenges posed by Sida's new structure need to be managed closely. In particular, Sweden should:
  - ensure that regional knowledge and analysis is retained now that teams working in neighbouring countries may come under different departments; and
  - ensure the new staff networks, which Sida sees as crucial to the functioning of its new structure, become an effective tool to overcome departmental boundaries, through careful planning and management and strong working-level ownership.
- It is vital that Sida ensures both the independence and impact of internal evaluation, including by guaranteeing that management responds to evaluation findings. It should update Sida's evaluation guidelines to set out unequivocally how this will be done in practice.
- Sweden should take care to protect overall human resource levels, particularly in the MFA and in the field, and allocate resources and skills appropriately to implement Sweden's objectives and commitments. For example, increased engagement in conflict affected countries and more strategic engagement with multilateral organisations require appropriate staff levels and skills sets.
- Sweden needs to invest strategically in staff training in order to implement the new ways of working, especially to embed results-based management and the use of programme-based approaches. It will be crucial for the training to be practical and grounded in real examples.

## Chapter 5

### Aid Effectiveness

#### High commitment to the aid effectiveness agenda

Sweden is clearly committed to the aid effectiveness agenda and there is strong support, in both the administration and in parliament, for working in line with the Paris Declaration, the Accra Agenda for Action and the *EU Code of Conduct on Division of Labour and Complementarity*. The Minister for International Development Co-operation states: "The [Accra Agenda] is a step forward but much still remains to be done. Sweden and the EU are setting their sights on continued rapid reform" (MFA, 2008f). The aid effectiveness agenda and its implications for Sweden have been referred to at length in every budget since 2006. Between 2006 and 2009 the government's budget papers all referred to the aid effectiveness agenda; one explicitly included the goals and indicators of the Paris Declaration, another emphasised the importance of ownership, and in 2008 and 2009 Sweden's results from the two monitoring surveys were included. The aid effectiveness agenda is also well-integrated into several recent policies and guidelines of the MFA and Sida. For example the *Sida Guidance on Programme-Based Approaches* states: "In all of its work (including, for example, project support and support through multilateral organisations etc.), Sida should ensure that the principles of the Paris Declaration – ownership, alignment, harmonisation, managing for development results and mutual accountability – are operationalised, in order to effectively achieve development results for people living in poverty" (Sida, 2008c).

Sida developed an action plan for increased aid effectiveness in 2006 (Sida, 2006b). This plan covered 2006-2008 and targets tangible results at field level, concentrating resources based on country-led processes, and adjusting aid delivery modalities to the aid effectiveness agenda. The plan had five main components, and Sida is committed to monitoring their implementation (Box 8). The MFA and Sida are currently developing a joint action plan on aid effectiveness for 2009-2011.

**Box 8. Sida's Action Plan 2006-2008 for Increased Aid Effectiveness: elements and achievements**

**Monitoring the Paris indicators:** Sida took part in the 2006 and 2008 Paris Declaration monitoring surveys.

**Developing methods and procedures:** In 2007 efforts in this area included work on how to improve sector programme support. Sida's *Annual Report 2007* states that advisory work and consultations with the field at three regional seminars (Africa, Asia and Latin America) led to policy and method conclusions which formed the basis for working documents for Sida's position paper on programme-based approaches.

**Learning and human resource development:** Sida has built a high level of staff knowledge about the aid effectiveness agenda through seminars and courses for various categories of staff; this has gradually been integrated into all human resource development. Courses to further facilitate the implementation of the aid effectiveness agenda are planned for 2009-2011, including a generic course on aid effectiveness and courses on particular skills, such as dialogue and negotiation, and programme-based approaches.

**Communication:** Sida has made efforts to communicate the Paris Declaration to various target groups, especially organisations in civil society. Sida has conducted seminars and workshops for CSOs; for example in August 2007 Sida hosted a conference on civil society and aid effectiveness, the International Civil Society Arena Conference, the first official international meeting in a series of conferences leading up to the Accra Summit in 2008. It involved contributions from donors and CSOs from both North and South.

**Quality assurance:** Sida has integrated the aid effectiveness agenda as various forms of quality assurance of co-operation strategies. For example, aid effectiveness is regularly included in Sida's Quality Assurance Committee's assessments, as well as in the reports and subsequent discussions produced by joint MFA/Sida inspection visits to embassies and development co-operation offices.

**Aid effectiveness in practice**

Since the 2005 peer review, Sweden has taken concrete measures to implement the Paris Declaration and has made progress against the majority of the indicators (Table 4). Sweden takes an appropriately broad view of aid effectiveness and is trying to apply its principles not only in its own co-operation with partner governments but also with CSOs and multilateral organisations. For example, the current guidelines for Sida's work with CSOs outline a clearer programme-based approach and increased results orientation using CSOs' own systems (Sida, 2007b). With respect to multilateral organisations, Sweden tries to provide core, unearmarked funding (Chapter 3). It provided financial support amounting to SEK 15 million (USD 2.25 million) in 2008 to the United Nations Development Group Office for the One UN project. It also provided support at country level for the One UN pilots in Tanzania, Rwanda, Mozambique and Viet Nam (SEK 15 million).<sup>9</sup>

<sup>9</sup> Data supplied by Sweden.

**Table 4. Monitoring Sweden's progress against the Paris Declaration indicators**

Indicator	2005 (23 countries)	2007 (23 countries)	2007 (29 countries)	2010 target	Comment
3. Aid flows are aligned on national priorities	37%	51%	45%	85%	On track - but target not achieved
4. Strengthen capacity by co-ordinated support	62%	51%	45%	100% (EU target)	Off track - moving in wrong direction
5a. Use of country public financial management systems	47%	57%	54%	At least 50% (EU target)	EU target achieved
5b. Use of country procurement systems	48%	57%	55%	50% (EU target)	EU target achieved
6. Avoid parallel implementation structures	36	23	39	12 & no new PIUs (EU target)	Off track - but right direction
7. Aid is more predictable	47%	54%	44%	74%	On track - but target not achieved
8. Aid is untied	100%	100%	100%	Progress over time	Target achieved
9. Use of common arrangements or procedures	49%	47%	44%	66% (EU target)	Off track - moving in wrong direction
10a. Joint missions	34%	32%	31%	40%	Off track - moving in wrong direction
10b. Joint country analytic work	34%	65%	52%	66%	On track – target almost achieved

Source: OECD (2008c), Survey on Monitoring the Paris Declaration – Making Aid more Effective by 2010, OECD, Paris, p.130

Note: The 2006 Monitoring Survey for Sweden is based on 2005 data from 23 countries (out of a total of 33 countries surveyed) and reflects 62% of Swedish country programmed aid in 2005. The 2008 Monitoring Survey for Sweden is based on 2007 data from 29 countries (out of a total of 55 countries surveyed) and reflects 69% of country programmed aid in 2006. The third column measures progress for the 23 countries which took part in both the 2006 baseline survey and the 2008 survey. Note that some EU targets are more ambitious.

### ***Committed to country ownership and making progress on alignment.***

The priorities of partner countries are the basis for Sweden's development co-operation. This is clearly stated in the *Guidelines for Co-operation Strategies (GoS, 2005)*: "As far as possible, co-operation should be aligned with the partner country's poverty reduction strategy (PRS) or equivalent development strategies." Sweden's co-operation strategy for Mozambique, for example (Table 5 below), is clearly based on Mozambique's own poverty reduction strategy, the PARPA (Annex D). Where there is no national poverty reduction strategy, the co-operation guidelines state that Sweden should support their partner's efforts to develop a PRS, rather than do their own analysis. In situations of conflict and fragility, where capacity to develop a PRS is limited, Sweden uses alternative poverty, conflict and power analysis or other guiding documents. For example, the Comprehensive Peace Agreement currently underpins Swedish assistance to southern Sudan.

Sweden is increasingly using partner government systems. Sida's position paper for public financial management (PFM) states that "The basic principle for channelling funds

to projects and programmes is that the PFM system of the partner country should be used as far as possible, as this in itself contributes to the strengthening of the system. As a minimum Sida funds shall always be integrated with, and be reflected in, the planning and budgeting process of the partner country (on-planning and on-budget)” (Sida, 2005e). The *2008 Survey on Monitoring the Paris Declaration* (OECD, 2008c) indeed confirms that Sweden’s use of partner countries’ PFM systems is relatively high, exceeding the EU target of 50% of ODA channelled via partner countries’ PFM systems. Capacity building related to PFM and public sector reform is a priority for Sweden. In Mozambique, for example, Sweden has supported capacity building in audit. Sida has also trained its own staff to increase their knowledge of PFM and of how to design and negotiate support that is aligned with country systems. A handbook for Sida staff is available for this purpose (Sida, 2007c), along with a good practice document in building African capacity for PFM (Sida, 2003). Moreover, Sweden’s use of country procurement systems has increased since 2005, to 57%, and now also exceeds the EU target. Additionally, it is commendable that all of Sweden’s bilateral aid has been untied since 2006, as indicated both by DAC statistics as well as the two monitoring surveys.

To measure progress Sweden is trying more systematically to use indicators which are aligned with partners and harmonised with other donors. For example, in Mozambique the underlying principles and monitoring indicators for general budget support (GBS) were agreed with other donors and are based on the partner country’s indicators, as evident in the memorandum of understanding (MoU) for GBS. Sweden has also identified a set of “pre-requisites” applicable to all its general budget support which have to be re-assessed annually (Annex D).

Although Sweden has increased the predictability of its general budget support by providing three-year indicative plans, disbursements have to be approved annually and are subject to change. Sweden often uses variable and non-variable tranches in its GBS. In Mozambique, the so called “non-variable tranche” is disbursed only if the mutually agreed principles of the joint MoU are respected and the Swedish pre-requisites are met. Both are re-assessed annually before Sweden will confirm any planned disbursement. While in the case of Mozambique the “pre-requisites” are similar to the “underlying principles” already agreed with other donors, they also add an additional layer of resource intensive assessment. The *variable tranche*, which in Mozambique is 25% of the overall allocated amount, is linked to the performance of a selection of the mutually-agreed indicators which Sweden considers most important, and are mainly in the area of governance (Embassy of Sweden to Mozambique, 2008). These are also re-assessed annually before deciding how much of the variable tranche to disburse. In 2008, in Mozambique, Sweden decided to withhold 33% of its 2009 variable tranche, as 6 of the 18 selected governance indicators had not been met (Embassy of Sweden to Mozambique, 2008 and see Annex D). It was the only donor to take such a step and there were mixed views amongst the rest of the donor community on the appropriateness of the action and whether the rationale for it was well communicated. Where Sweden applies mutually agreed conditions selectively, to a variable tranche, it should ensure it communicates this clearly to its partners. Sweden acknowledges that: “Sida often makes a harder assessment of the implementation capacity of partner countries, transparency, risks of corruption and the human rights situation in line with Swedish policy. This may result in a more restrictive attitude to using the partner country’s systems and to switch to programme-based approaches. In turn, these factors can lie behind the fact that Swedish development co-operation is less predictable than development co-operation from many other donors” (OECD, 2008d). While the peer review team acknowledges that

predictability is also a question of being clear on what conditions are to be met by both parties to an agreement, Sweden should examine how it can reconcile the overall predictability of its support with its fiduciary and other safeguards.

**Table 5. Sweden and the Paris Declaration principles in Mozambique**

Principles	Swedish actions in Mozambique
Ownership and alignment	<p>"Donor co-ordination, harmonisation and alignment to Mozambique's own systems, processes and institutions will characterise co-operation in line with the principles of the Paris Declaration on aid effectiveness." (MFA, 2008b)</p> <p>The co-operation strategy contains a firm commitment to make PARPA 2 the point of departure for Swedish support over the period 2008-2012.</p> <p>To support the implementation of Mozambique's own development strategy and align with country priorities, Sweden channelled 54.5% and 51.8% of its disbursements, in 2007 and 2008 respectively, in the form of general budget support. The intention is to continue channelling at least 50% of ODA to Mozambique via budget support.</p> <p>To improve the predictability of Swedish support to Mozambique regarding volume, long-term commitments and actual disbursements, Sweden's co-operation strategy provides indicative financial commitments for the period 2009-2012. And from 2009, budget support will be provided within a predictable four year agreement (though subject to pre-requisites and performance tranche).*</p> <p>To improve country systems Sweden gives support to capacity building in external and internal audit, improved public financial management and control, reform of the public sector and decentralisation.</p> <p>Sweden's co-operation strategy aims to reduce corruption in the public sector.*</p>
Harmonisation	<p>Sweden, as a member of a large donor group in Mozambique, is working towards an effective division of labour among the donors.</p> <p>The co-operation strategy indicates that Sweden aims to allocate resources in accordance with the principles contained in the EU Code of Conduct on Division of Labour. However, in practice, comparative advantage appears to be interpreted in terms of past involvement in the sector rather than technical or other competencies.*</p> <p>In some sectors — notably the energy sector — Sweden has entered in joint funding or delegated co-operation arrangements.</p> <p>Sweden has taken a lead in developing a code of conduct for donors in Mozambique.</p>
Managing for development results and mutual accountability	<p>Sweden gives support to CSOs and others to support parliamentarians in partner countries to fulfil scrutiny and accountability roles, to increase citizen participation in democratic processes and to promote a pluralistic and democratic society, with greater accountability as a result.</p> <p>In Mozambique, Sweden and other donors have drawn indicators from the poverty reduction strategy.</p> <p>Sweden has signed a memorandum of understanding with the partner country, together with other donors in Mozambique, leading to clear requirements from both donors and partner government.</p>

Note: \* indicates planned actions

The Paris Declaration also aims to decrease the use of parallel implementations units (PIUs). However, though Sweden intends to eliminate the use of PIUs altogether, they are still using them, as indicated in the 2008 monitoring survey (OECD 2008c). Although the total number of PIUs has decreased, Sweden has some way to go to achieve its goal or even the EU target of less than 12 PIUs. Sweden has met the 50% target agreed in the Paris Declaration for technical co-operation co-ordinated with other donors, which is a proxy for strengthening capacity through co-ordinated support. However, Sweden also signed up to the more ambitious European Union target of 100% and it is not yet on track to achieve this (see Chapter 6). Moreover, the monitoring survey indicates that between 2005 and 2007 Sweden actually decreased the proportion of its technical co-operation which is co-ordinated with other donors and aligned with partner country strategies. Sweden is strongly encouraged to reverse this trend.

### ***Commitment to donor harmonisation but with scope for further progress***

Sweden actively promotes more effective aid and reduced transaction costs for partner countries through better division of labour among donors. For example, Sweden

played an integral role, as part of the Nordic Plus group, in developing the *EU Code of Conduct on Division of Labour and Complementarity*. This code is now a key reference point for Sweden.

Sweden is rationalising both the number of countries in which it works and the number of sectors in each country (Chapter 3). Its rationale for the country focus process is that co-operation with fewer countries will result in better use of available resources. Sweden envisages that “by releasing Swedish resources from countries where other donors can take greater responsibility, it will be possible for Sida to increase its commitment in those countries with which it will continue to co-operate. Being more committed in a smaller number of countries means that Sweden can take a more active role in the increasingly important dialogue in the countries in question” (OECD, 2008d).

Sweden believes that sector concentration will also increase the effectiveness of its aid. It is starting to reduce the number of sectors it supports to no more than three in each country. Importantly, it also aims to concentrate support within those sectors, *i.e.* to consolidate the number of contributions, and increase the use of programme-based approaches. The choice of sectors is not based on Sweden’s priority themes, but on factors such as the level of need in a sector and the extent to which other donors are active, as well as whether Sweden has in-country experience or expertise for that sector. For example, Sweden considered the Mozambican Government’s priorities and other donors’ activities in refocusing its programme in Mozambique (Annex D). However, it seems that, in practice, “comparative advantage” is sometimes interpreted in terms of past involvement in the sector, rather than current technical or other competencies. Moreover, there is scope to improve communication of the decisions. For example, in Mozambique, partner country representatives, both within the government and CSOs, did not always seem clear on whether, how or when a particular sector was being phased out. These are inevitably difficult processes, but to avoid misunderstandings it is imperative to communicate future changes in a timely manner.

When phasing out from a country or a sector it is also necessary to establish realistic timeframes, conduct careful and mutual planning, include consultation, and be flexible. An evaluation commissioned by Sida and three other donors of Sweden’s (and other donors’) exit strategies concluded that “planning for proper exit and handing over, and thus ensuring sustainability of activities previously funded by donors, is the exception rather than the rule. Likewise, good and careful monitoring of exit is extremely rare. Despite the principles of partnership and mutuality, which were formulated in the Paris Declaration of 2005, all exit decisions studied proved to be unilateral decisions” (Slob and Jerve, 2008). Sweden is encouraged to be mindful of how its exits, from countries and from sectors, take place and how this impacts on its relationships with partners, such as CSOs.

Sweden invests considerable resources in donor co-ordination (Box 9). In Mozambique, for example, Sweden is part of a complex donor co-ordination system (Annex D). It also advocates for a more inclusive donor co-ordination system, and has been a leading force in developing a code of conduct and an aid policy for the donors in Mozambique. Nevertheless, the 2008 monitoring survey signalled that globally since 2005, Sweden has actually reduced its common arrangements and procedures, as well as the share of its missions which were conducted jointly. Sweden is encouraged to reverse this trend in order to increase harmonisation. Sida’s new *Guidance on Programme Based Approaches* (Sida, 2008c) states that: “Sida should, to the greatest extent possible, apply a programme-based approach to all of its development co-operation.” So Sweden’s use of

programmatic approaches should dramatically increase in the next three years. Although the guidance has been heavily promoted internally, it is too recent to have had a major impact on Sida's overall programme.

### **Box 9. Harmonising and rationalising aid**

Sweden has used joint projects, pooled funding mechanisms, and silent partnerships with other donors to harmonise aid. For example, delegated co-operation and co-financing are increasingly prevalent amongst the Nordic Plus Group, of which Sweden is a member: Sweden administers Norwegian support to Mali and Norway administers Swedish support to Malawi. In South Africa, Sweden, Denmark, and the Netherlands are silent partners in the Norwegian-led support to the Media Institute (OECD, 2009). This is driven by the long experience that these countries have of working with each other. Officially Sweden favours silent partnerships; however, in practice many Swedish staff say they prefer a “clean exit” rather than delegated authority and silent partnerships, as the expected reduction in transaction costs have not been realised to date.

### ***Managing for development results and mutual accountability***

Overall Sweden is becoming a more results-orientated donor (Chapter 4). There is, however, a tension between the increased demand (from government and the public) for control and follow-up of Swedish resources for development co-operation on the one hand, and the process towards increased alignment to partner country systems on the other (OECD, 2008d). Like all donors attempting to implement the Paris Declaration, Sweden's field staff face a delicate balancing act: promoting partner ownership and alignment whilst demanding reports on results to meet headquarters' requirements.

Sweden supports domestic accountability mechanisms, such as parliamentary strengthening in partner countries (Sida, 2006e). In Mozambique Sweden is supporting audit mechanisms, CSOs and parliamentarians to build domestic capacity to hold the government accountable to its own constituency. Despite the low levels involved, Sweden's support to parliaments to increase accountability fits well with the Swedish corporate priority of democratic governance and could be an area of future co-ordinated growth. Sweden is also open and responsive to reviews and to feedback from partner countries on donor behaviour. One example is that Sweden responded to the Government of Mozambique's request to develop a code of conduct for donors, as mentioned above. Promoting mutual accountability is a challenge for all DAC members and partner countries, so Sweden is encouraged to use its experiences to work closely with other donors in pushing the agenda forward.

### **Future considerations**

- In order to live up to its international commitments under the Paris Declaration, Sweden should increase the proportion of technical co-operation which is co-ordinated with other donors and aligned with partner country strategies and increase the proportion of its missions which are conducted jointly.
- Sweden should ensure that it communicates clearly to its partners how any jointly agreed conditions will be applied to variable tranches in its general budget support.

- Sweden needs to improve how it communicates its rationale, decisions and timeframe for phasing out support to particular sectors or countries. This will ensure that its strong partnerships and efforts to align and harmonise are not undermined.
- Given its strong policy commitment to democratic governance, Sweden is encouraged to support domestic accountability mechanisms and work closely with other DAC donors to help realise commitments to mutual accountability.

## CHAPTER 6

### Special Issues

#### Capacity development

##### *Sweden's policy and guidance on capacity development*

The overarching goal of Sweden's *Policy for Global Development* — “to contribute to an environment supportive of poor people's own efforts to improve their quality of life” — reflects the fact that sustainable development depends on partner capacity. Sida's policy on capacity development (Sida, 2000) states that the ultimate task is to “make development co-operation superfluous in the long run”. Accordingly the policy aims to increase Sida's support to national systems and to prioritise capacity development in all projects and programmes. It sets out a multilayered understanding of capacity development and emphasises the importance of contextual analysis and focusing on whole systems. By placing capacity development at the heart of all it does, and by explaining its different facets and context, the policy provides a strong basis for Swedish bilateral support. Despite this strong emphasis on capacity development in its bilateral policy, however, there is no mention of its importance in Sweden's new multilateral strategy.

Sida has also produced a series of working papers on capacity development, including on different approaches, needs analysis and measuring organisational development. In 2005, Sida produced a detailed manual for capacity development which emphasises the importance of ownership to ensure impact and sustainability; and taking existing capacity as a starting point (Sida, 2005f). It also stresses the value of a holistic approach and considering organisations and individuals within a broader context of formal and informal institutional frameworks (including values, power relationships and traditions). Furthermore, it recognises the need to address individual incentives and the conditions for individual learning. It also underlines the importance of choosing relevant and realistic goals and indicators. All of these factors are vital to successful support to capacity development.

Sida also published a working paper which called for a rethink of capacity development, arguing for a more harmonised and aligned approach consistent with the Paris Declaration (Sida, 2006c). Although pre-dating the OECD document *The Challenge of Capacity Development: Working Towards Good Practice* (OECD, 2006a), Sweden's understanding of capacity development is broadly in line with wider consensus. More recent documents reference the OECD understanding of capacity development: “the process whereby people, organisations and society as a whole unleash, strengthen, create and maintain capacity over time” (OECD, 2006a). Sida's recent *Guidance on Programme-based Approaches* also states that the first priority of all development co-

operation is to enhance partner capacity (Sida, 2008c). Further, Sweden’s guidelines for co-operation strategies suggest that an assessment be made of how partner capacity can be strengthened when co-operation strategies are devised (MFA, 2005). These examples of the high prioritisation of capacity development illustrate that Sweden is ahead of many other donors.

Overall, Sweden has strong policy and guidance on which to base its support to capacity development. Its understanding and prioritisation of capacity also resonates with a growing international consensus and with its own international commitments, such as to the Paris Declaration.

### ***Capacity development in practice***

#### *Working with a range of organisations in partner countries*

Having been active in capacity development for some decades, Sweden works not only with the state but also with civil society in partner countries. In Mozambique, Sweden supports capacity development in various aspects of national government, including state audit, the Ministry of Agriculture, the statistics agency and the state electricity company. Sweden also places a strong emphasis on capacity development within civil society and uses core funding to “promote a vibrant civil society” (Sida, 2007b). It is also involved in parliamentary strengthening programmes in partner countries. Sweden’s involvement in private sector capacity development is less well developed.

Sweden’s support to research institutions amounts to around 7% of Sida’s budget, and its goal is “to strengthen the research capacity of partner countries and promote development-oriented research.”<sup>10</sup> For example Sweden has assisted a university in Mozambique for over 30 years, and in 2008 provided 75% of its external funding. Sweden’s funding to the university has supported training in professions highly relevant to Mozambique’s development, including medicine, agronomy and veterinary science. Importantly, Sweden has also supported capacity development of the university itself through supporting administration, information technology and library facilities.

#### *Supporting capacity development in a variety of ways*

Sweden provides assistance to capacity development both through projects and programmes for which capacity development is the core objective, and as components of other interventions. It uses a range of methods, including technical co-operation and twinning. The latter usually involves a partnership between similar Swedish and partner country institutions. Sida has attempted to measure its overall support to capacity development, but found it was unable to capture it in full. Sweden reported to OECD DAC disbursements of USD 160 million for technical co-operation in 2007, or around 5% of its bilateral aid.<sup>11</sup> Notwithstanding some fluctuations, this spending has roughly kept pace with increases in the overall bilateral aid envelope since 2000. Sweden has surpassed the 50% target for co-ordinated technical co-operation agreed in the Paris Declaration. However, according to the 2008 Survey on Monitoring the Paris Declaration, although 62% of Sweden’s technical co-operation was co-ordinated with other donors and

<sup>10</sup> Sida website [http://www.sida.se/sida/jsp/sida.jsp?d=254&a=4508&language=en\\_US](http://www.sida.se/sida/jsp/sida.jsp?d=254&a=4508&language=en_US)

<sup>11</sup> Sida believes this figure to be an under-estimate and is in the process of refining its statistical system to enable more accurate measurement.

aligned with partner country strategies in 2005, in 2007 this had decreased to 51% in the same sample of partner countries. Sweden also signed up to the additional European Union target of 100% by 2010, for which it is not on track (OECD, 2008c).

Sweden's support is becoming more programmatic and capacity development is a priority for its programme-based approaches. It is also trying to introduce a more results-orientated approach. In Mozambique, Sweden's assistance to the Tribunal Administrativo has moved from a stand-alone project to a pooled fund, now controlled by the recipient organisation to support its own clearly-defined objectives (Box 10). However, the changes are not uniform. A second capacity development project, supporting the Inspectorate General of the Ministry of Finance in Mozambique, remains similar to its original design, run by Swedish consultants and based on knowledge transfer, with only high level rather than specific goals. This latter project was less well aligned with Sweden's more recent guidance and with the growing international consensus on how sustainable capacity is developed.

#### **Box 10. Capacity development at the Tribunal Administrativo in Mozambique**

Funding	The project started in 1998 funded by Sweden. The Tribunal Administrativo (TA) - which is responsible for independent state audit and a range of other duties - also received funding from a range of other donors for discrete projects, each with different conditions and rules attached. Since 2007 Sweden has switched its support to a pooled fund, which supports a range of TA activities.
Provision of technical input	Initially the Swedish National Audit Office (SNAO) ran the project, with a manager in-country and some short term Swedish staff. A consultant with a private sector background was also recruited from a neighbouring country. The Swedish project team left in 2007. After the pooled fund was introduced the consultant stayed on, but became an employee of the TA rather than of the SNAO, and now reports directly to TA.
Objectives	Initially the TA had to provide separate reports to each donor, each of which measured progress against different objectives. To establish the pooled fund the TA drew up a strategic plan. TA asked the African Organisation of Supreme Audit Institutions to assist it in establishing clear objectives, goals and indicators, which it then presented to donors. TA now provides one consolidated report on activities and results. They discuss the indicators and progress in quarterly meetings, with donor participation led by one country.

Source: Peer review team visit to Mozambique

#### ***Closing the gaps between policy and practice***

Sweden has a clear view of why capacity development is a priority and has set out how staff should understand the concept. It could consolidate this strong position by improving practical application, *i.e.* by closing the gaps between policy and practice. Sida's Department for Methodologies and Effectiveness is charged with this task, although the human resources allocated to do so are minimal. In order to close the remaining gaps between policy and practice, the level of resourcing will need to be supplemented. Sweden should focus on three areas in particular to ensure its policy and guidance is better translated into implementation:

- *Increase attention to the political context in design and management.* Sida's capacity development policy emphasises the importance of understanding the formal and

informal context, but in practice this is not always done. An internal evaluation highlighted that a common problem was the limited consideration of power relationships and local context (Eriksson, 2007). Similarly, a study which focused on parliamentary strengthening also called for better understanding of the political context and local knowledge (Scott Hubli and Schmidt, 2005). The need to understand political context is further heightened in fragile situations, where weak state and societal capacity combine with uneven power relationships to create unstable conditions. As Sweden intends to increase its engagement in such contexts, its policies and guidelines need to be sufficiently adaptable.

- *Set out clearly what is to be achieved and in what timeframe.* Appropriately, staff are not under pressure to deliver quick results and can make medium term commitments. However, not all support has clearly defined objectives other than the overall goal of building capacity, nor an anticipated timeframe for achieving them. This was also highlighted in an internal evaluation (Eriksson, 2007). In Mozambique, Sweden has provided ongoing support to the same organisations for decades. It had not defined clear timeframes for achieving sustainable levels of capacity or its own phase-out. Sida has also acknowledged that despite the achievements of its research co-operation, in some cases it has created dependency (Akuffo, 2008). A Sida evaluation further highlighted that the design of some research co-operation did not include a basic outline of anticipated results or clearly defined objectives (Sida, 2006a).

*Integrate capacity development better into all projects and programmes.* Despite a clear policy basis, in practice Sweden has had mixed success in integrating its multi-layered and contextualised approach to capacity development across all its activities. Sida's guidance manual is too detailed to be readily accessible to staff who do not already see capacity development as central to their work. Sida therefore plans additional, shorter, guidance. Updating current overarching staff guidance, *Sida at Work* (Sida, 2005d), could also be helpful since it is the key point of reference for all staff. However, it is likely that direct communication with field staff will have most impact in integrating capacity development and in addressing difficult issues such as dependency and situations of fragility. The new staff networks might also play a role in this (Chapter 4). Sweden should, however, exercise caution before adding to an already extensive list of guidance and policy documents that staff have to deal with. Since Sweden sees capacity development as a central objective of development co-operation, it could also consider including capacity development objectives in field staffs' individual performance goals.

### ***Support to capacity development after Accra***

Sweden has shown that it is willing to implement the Accra Agenda for Action, which places a strong emphasis on capacity development. Although pre-dating it, Sweden's policy and guidelines cover some of the main capacity development areas prioritised by the Accra Agenda. These priorities, from the Accra Agenda, include three areas in which Sweden is already well involved: (i) addressing the systematic impediments or enabling environment for capacity development; (ii) supporting country systems; and (iii) supporting capacity development of civil society as well as the state. For example, Sweden has been a leader in supporting partner country statistical systems, and has initiated joint programmes in a range of countries. Sweden's experiences to date in providing demand-led and co-ordinated support to the statistics area has provided useful lessons for all donors (Eurostat, 2008). It also provides lessons on the importance and

feasibility of such an approach to support other types of national systems. Sweden is also providing support to public financial reform in several countries.

The Accra Agenda also highlights two areas which Sweden is now starting to address as it seeks to make more use of programmatic approaches: (i) integrating capacity development into national, sector and thematic strategies; and (ii) making technical co-operation more demand driven and based on local or South-South resources. As noted, some of Sweden's involvement in capacity development is starting to evolve in this direction. Conspicuous by its absence from Sweden's approach, however, is any reference to the challenge of capacity development in fragile situations, another area highlighted as important in the Accra Agenda for Action. This will be an important issue for Sweden to address as it increases its focus on conflict and post-conflict countries. Sweden is encouraged to work closely with other DAC members in improving overall support to the areas the Accra Agenda for Action highlights as priorities for capacity development.

## Environment and climate change

### *Sweden's commitments to environment and climate change*

Environment and climate change were selected by the DAC for 2009-2010 as a special theme in peer reviews in recognition of the growing understanding of the linkages between environment, climate change and development. Climate change is an especially pressing issue as it is a threat to development efforts and an obstacle to achieving the UN Millennium Development Goals. The DAC has developed guidelines on how to integrate aspects of climate change, biodiversity loss and desertification into development co-operation (OECD, 2002). It has also prepared tools, such as *Environmental Fiscal Reform for Poverty Reduction* (OECD, 2005b), to integrate environment into the policies and frameworks of partner countries. The DAC also promotes the use of strategic environmental assessments in the development of policies, plans and programmes (OECD, 2006b).

Sweden demonstrates awareness of DAC and other international guidance on environmental aspects of development and gives high priority in its development co-operation to environmental issues, particularly climate change. Environment and climate change is one of Sweden's three thematic priorities for development co-operation (Chapter 1). Therefore, development assistance to meet climate and environmental challenges is important for Sweden, which prioritises four areas: i) adaptation and ensuring resilience, which includes safeguarding ecosystem services and natural resource management; ii) renewable energy and energy efficiency; iii) environment, peace and security linkages and disaster risk reduction; and iv) water resource management, water and sanitation and marine environment. Climate change and environmental impacts have also been identified as one of the six overarching "global challenges" and as a whole-of-government concern in Sweden's 2008 communication *Global Challenges* (GoS, 2008a; Chapter 2).

Climate change and development is a priority for Sweden's upcoming EU presidency. In advance of this the Swedish Government established the International Commission on Climate Change and Development (ICC) in 2007 (Box 11). The commission will deliver its final report in May 2009, providing a base on which to build EU-wide support for climate change adaptation. The review team commends Sweden's attention to climate

change in its development co-operation and in the leadership it is providing to the international community. The rest of the international community will now look to Sweden to continue this leadership to implement any actions recommended by the ICC.

### **Box 11. The International Commission on Climate Change and Development**

The Swedish Government has established the International Commission on Climate Change and Development to contribute to international efforts on adaptation to climate change and risk reduction. The main task of the commission is to deliver proposals on how to climate-proof development co-operation by integrating risk reduction and adaptation to climate change into the development and poverty reduction plans of poor countries. The commission is also required to present proposals for development co-operation that take into account climate change impacts and the risk of disasters in developing countries. To ensure that the commission adds value, its work is to build on, follow and link up with ongoing initiatives in this area, such as those of the United Nations Framework for Climate Change, the OECD and the EU.

The final report will focus on:

- The human dimension of climate change: what do people need in order to adapt and how are they adapting already?
- The institutional architecture: how can the plethora of institutions involved in climate change be best organised to efficiently encourage adaptation in general, and in accordance with the Paris Declaration?
- What are the financial and political prerequisites for the success of developing countries in meeting their adaptation needs?
- Resources and financing: what resources are needed and how can they best be managed?

For more information see: [www.ccdcommission.org](http://www.ccdcommission.org)

### ***Policy, methods and tools***

Sweden approaches environmental and climate change both as a cross-cutting issue and as a discrete sector. Sweden recognises that environment is interlinked with economic development, trade, human rights and democracy, gender, health and education. It therefore sees environment and climate change as truly cross-sectoral and as a basis for sustainable development.<sup>12</sup> Sida also has a tradition of direct support for environmental projects and programmes. In particular, it is now prioritising the following areas: water and sanitation, chemicals management, sustainable energy and climate, sustainable urbanisation, sustainable use of natural resources, capacity building and natural resource management (Sida, 2008b). Internationally, Sweden works to support the development of methods and policy. It is, for example, an active member of OECD/DAC's Environet and its strategic environmental assessment task team and has also chaired the Joint Environment-Development Task Team on Governance and Capacity Development for Environmental and Natural Resource Management since 2006.

The environmental policy in *Sida's Environmental Management System* is closely linked to Sweden's overarching focus on poverty reduction, stating that "poverty reduction is impossible in the long term unless consideration is given to the natural resources and the environment that people are dependent on for their health, their

<sup>12</sup> Presentation at Sida, January 2009.

livelihoods and their survival” (Sida, 2004). It also commits Sida to follow partner country objectives and international agreements for environmentally sustainable development. The policy also clearly states that (i) environmental considerations must be integrated in the work of all Sida’s departments and field offices; (ii) Sida should refrain from contributing to activities, projects, and programmes that obstruct sustainable development; and (iii) that the environmental perspective must be included in Sida’s overall development analysis and in its country, sector, programme and project analyses.

Sweden also has many other strategies, manuals and guidelines dealing with environmental issues. These are part of a wider “forest” of policies with which staff need to be familiar (Chapter 1). However a new overarching environmental policy will be developed in 2009 and finalised at the beginning of 2010. It is anticipated that climate change issues will be integrated and linked to broader environmental issues in the new policy, instead of developing a separate policy for climate change. Sweden does not have specific tools for assessing climate change impacts; instead it made a conscious decision to integrate climate change analysis within the existing analytical tools. The Sida environmental helpdesks, together with the Environment and Climate Change Team at Sida, work together with Stockholm Environment Institute (SEI) to strengthen climate change aspects of the current tools. For example, climate change is integrated within the environmental analysis prepared for the co-operation strategies. The environmental assessments at programme and project level now include more climate change and disaster risk reduction perspectives. Sida is also developing a new web-based environmental assessment tool which will include climate change. Having only one policy and integrating climate change into existing tools is helpful and provides an opportunity to simplify and consolidate the existing policy and guidance suite. Moreover, this should ensure that its focus on climate change does not divert attention from broader environmental issues which also remain critical and for which Sweden has already demonstrated leadership.

According to Sida regulations, environmental impact assessments (EIAs) are mandatory for all projects. EIAs should analyse how the environment will be affected by proposed development projects and how the projects can contribute to environmentally sustainable development. Sida regulations also cover strategic environmental assessment (SEA), which refers to a range of “analytical and participatory approaches that aim to integrate environmental considerations into policies, plans and programmes and evaluate the inter-linkages with economic and social consideration” (OECD, 2006b). SEAs focus on national policies and strategies, plans or programmes.

The regulations state that before any contribution is decided upon, the Sida officer in charge of the project or programme has to ensure that environmental and climate change issues are taken into account, including both positive and negative effects of the programme/project itself, as well as climate change effects on the programme/project. Sida has produced a handbook, *Guidelines for Review of Environmental Impact Assessments* (Sida, 2002) for project officers and partners applying this rule. The handbook states that it is the responsibility of the co-operation partner to conduct the EIA. Sida’s role is to review the EIA and to provide support (Sida, 2002). The staff member at Sida responsible for the contribution — either the project officer, the team director or the department director — decides whether programmes, projects or strategies address environmental issues sufficiently well. If there is no EIA/SEA within the background documents, Sida can either decide to help the co-operation partner conduct one, or else

can decide that a lighter process is sufficient. Sida staff also stated that, in the dialogue with the co-operation partner, there is often a recommendation to carry out a SEA/EIA in the next phase of the programme.

Many donors conduct screening to find out which projects need an EIA, but the Sida handbook states that “since Sida has obligatory requirements for EIAs, no screening is necessary”. Instead the design, content and scope of EIAs should be adapted to need. Projects that will have a major environmental impact require extensive and detailed EIAs, while EIAs for projects that are expected to have little impact on the environment can be kept brief (Sida, 2002). However, in practice Sida staff often carry out a screening process using the comprehensive checklists found in the handbook (there is one general checklist and 17 sector-specific checklists). These are now being modernised and updated with a strengthened focus on climate change and disaster risk reduction.

An internal evaluation encouragingly reports that Sida does not appear to be supporting projects that have a negative impact on the environment (Brunnström *et al.*, 2006). However, in spite of intentions to mainstream environmental issues, the evaluation points to a failure, to date, to systematically integrate environmental concerns into Sida’s work. The evaluation examined a sample of 89 projects from six countries. Of these, seven contained the mandatory environmental impact assessment (EIA), and in another 39 there was just a brief statement. In half of the contributions considered, the mandatory assessment appeared to have been completely disregarded. It points out that “it must be concluded that the high level of ambition in the EIA regulation backfires and leads to a situation where project officers evade the regulation and perform their own integration procedure, naturally differing in quality and extension with every officer.” Simpler tools for strategic and impact assessment and greater awareness might help create routines for mainstreaming of environmental issues into Sida projects. Moreover, they would also avoid the risk that opportunities to enhance environmental outcomes are missed.

Before partner co-operation strategies are developed, environment and climate change analyses should be carried out at country level. Such analysis can be based on secondary data. Sweden’s guidelines for developing co-operation strategies state that environment and climate change should be explicitly addressed, except in countries where Sweden is phasing out. A large number of strategies were developed in 2008 and environment and climate change has been increasingly reflected in new strategies, though in different ways:

- In most strategies for long-term co-operation, as well as for Eastern Europe, environment and climate change are identified as issues for dialogue with partner government, but the actual focus of the dialogue depends on the context. In the Mozambique strategy for development co-operation, for example, environment and climate change are identified as dialogue issues, but how this dialogue should take shape or on what it should focus is not defined (MFA, 2008b). A dialogue strategy for Mozambique will be developed, but had not been drafted at the time of the peer review visits. It will be a challenge for Sweden to ensure that these dialogues achieve effective outcomes, especially when there is no clear link between the dialogue issues and the areas to which Sweden provides financial support, as is the case with environment and climate change in Mozambique.

- Natural resource management and/or energy are sectors supported in some long term co-operation countries and also represent new sectors in many of the Eastern European co-operation strategies. In Mozambique, Sweden supports “institutional capacity for an efficiently regulated energy market and climate adaptation and sustainable energy supply” (MFA 2008c).
- Institutional strengthening of environment ministries/agencies is supported in a few cases, for example in Ukraine. The *Strategy for Development Co-operation with Ukraine* (MFA, 2008g) states that one of the goals is “improved capacity for Ukrainian authorities to formulate and implement EU harmonised legislation and regulatory frameworks in the field of environment and climate change”.

### ***Staffing, management and division of labour***

There is no specific climate change unit at the MFA although the Department of Development Policy has overall responsibility for climate issues in relation to development. Within the re-organised Sida (Figure 5, Chapter 4) three teams will have responsibilities for environment and climate change. Two of the teams are within the Department for Environment, Climate Change and Sustainable Services; the Environment and Climate Change team co-ordinates processes and works with climate change and ecosystem services and the Sustainable Service team is responsible for energy, water and urban development. Within the Department for Economic Opportunities, the Agriculture and Forestry team has responsibility for agriculture, forestry and natural resources tenure.

#### **Box 12. Sida helpdesks**

The Environmental Economics Helpdesk is located at the University of Gothenburg and was established to support integration of strategic environmental concerns into Swedish development co-operation. The helpdesk for Environmental Impact Assessments is based at the Swedish University of Agricultural Science. Sida commissioned it to help integrate environmental perspectives into Swedish development co-operation.

The helpdesks can:

- Assist Sida with integration of environmental and climate change issues in co-operation strategy processes.
- Comment and review draft co-operation strategies, joint assistance strategies, poverty analyses and integrated economic analyses etc.
- Advise on the content of brief environmental assessments of a project, programme or sector support, including climate change issues.
- Draw up and help review the quality of terms of reference for environmental assessments.
- Provide resource persons at different stages of the strategy process if needed.
- Provide training and capacity building, adapted to requirements, with the aim of increasing programme officer capacity to integrate environment in their work.

For more information see: [www.handels.gu.se/seahelpdesk](http://www.handels.gu.se/seahelpdesk) and <http://mkb.slu.se/helpdesk/>.

The new staff networks will be important for connecting the different teams and ensuring capacity. The re-organisation of Sida aims to ensure that country and regional teams managing environment and climate change contributions both at headquarters and in the field will have staff with the required expertise. Sida is gradually recruiting more staff with environment and climate change competence and is also planning to include training in climate change as a key component in its overall environment training. Sida has also developed an e-learning course on environment, climate change and ecosystem services, which is available to anybody interested within Sida. Moreover, to complement and strengthen its environmental capacity, Sida has established two external helpdesks on environment and climate change giving Sida staff direct access to expert advice. Some training is also done through these helpdesks (Box 12). However, as the internal evaluation points out, these helpdesks could undermine the development of competence within Sida and therefore may detract from, rather than enhance, integration and understanding of environmental concerns in practical work (Brunstrom *et al.*, 2006).

### *Financial support to the environment and climate change*

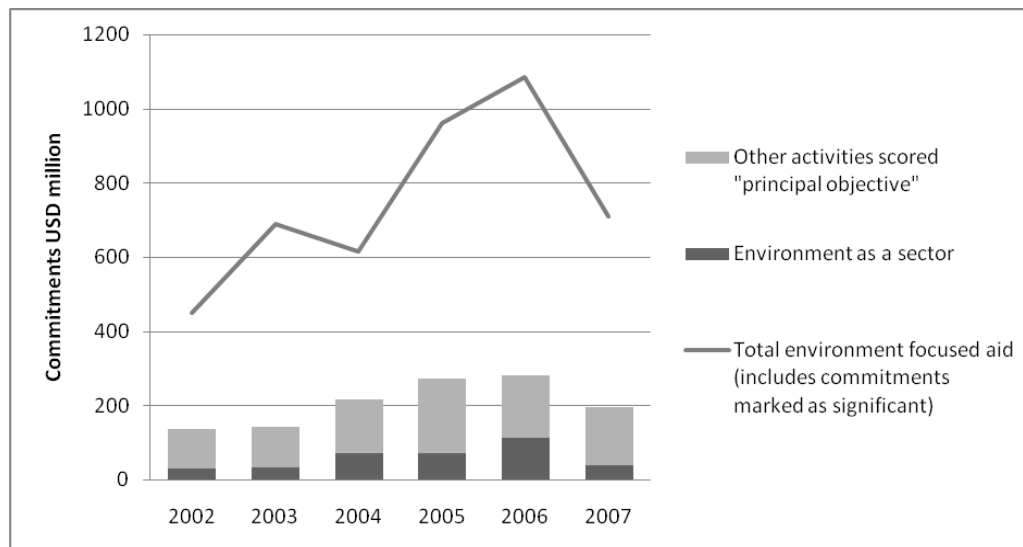
#### *Allocations to the environment*

Swedish disbursements to general environmental protection have steadily increased from USD 49 million in 2005, to USD 81 million in 2006 and USD 110 million in 2007. This accounted for approximately 3% of Sweden's ODA in 2007. However, DAC statistics show that over half of Sweden's bilateral aid (based on commitments) partially targets environmental sustainability, even if it might not be the main objective of the project or programme (Table 6). It is not clear if the 2005-2006 peak in Swedish funds supporting projects which involve environmental objectives, is due to annual fluctuations or if it signals the start of a wider trend (Figure 10).

**Table 6. Environmental focus of Swedish aid 2002-2007**

	USD million, current prices (commitments)					
	2002	2003	2004	2005	2006	2007
Environment as a sector	29	31	71	70	112	38
"Significant objective"	314	548	397	688	803	513
Other activities scored "principal objective"	106	109	145	202	170	157
<b>Total environment focused aid</b>	<b>449</b>	<b>688</b>	<b>613</b>	<b>960</b>	<b>1,085</b>	<b>708</b>
Not targeted	284	381	420	757	835	599
Not screened	0	0	0	0	0	0
<b>Total sector-allocable aid</b>	<b>734</b>	<b>1,069</b>	<b>1,034</b>	<b>1,716</b>	<b>1,920</b>	<b>1,307</b>
<b>Environment focused aid</b>	<b>61%</b>	<b>64%</b>	<b>59%</b>	<b>56%</b>	<b>56%</b>	<b>54%</b>

Source: OECD/DAC International Development Statistics

**Figure 9. Commitments of Swedish aid with environmental components 2002-2007**

Source: OECD/DAC International Development Statistics

### *Allocations specifically for climate change*

Reflecting the renewed attention to climate change, the government is allocating over SEK 4 billion (USD 482 million) of its ODA budget to climate change between 2009 and 2011 (Chapter 3). Funding will primarily be channelled through existing multilateral initiatives, but SEK 1.1 billion (USD 132 million) will be made available in bilateral co-operation. The bilateral contributions will be focused on the most vulnerable countries in Africa and Asia (Dagens Nyheter, 2009). With this special allocation Sweden aims to contribute to long-term action on adaptation to climate change in the poorest countries. It also aspires to contribute to developing countries' measures to mitigate climate change (MFA, 2009b). Sida does not yet fully report on specific allocations to biodiversity, climate change and desertification activities, but it is positive that Sweden now plans to upgrade its statistical system to enable it to report fully on these allocations.

## **Future considerations**

### *Capacity development*

- Sweden should provide results-orientated support to capacity development and seek an appropriate balance between its welcome long-term commitment and the need, nevertheless, to establish time-bound objectives and associated exit strategies.
- Sweden needs to improve further wider staff understanding that capacity development should be at the core of all Swedish development co-operation and of difficult issues such as the political context, what to prioritise in fragile situations and how to define reasonable timeframes. It should integrate these issues into overarching guidance documents and communicate them directly to front-line staff.

- Sweden is encouraged to continue to improve support to the capacity development areas emphasised as priorities in the Accra Agenda for Action, and to refine its approach in fragile situations where Sweden intends to increase its development co-operation.

*Environment and climate change*

- Sweden's forthcoming policy, which will integrate environment and climate change issues, is welcome. However, Sweden needs to simplify and consolidate assessment tools and guidance on environment and climate change in order to help mainstreaming.
- Sweden is commended for taking a leadership role on climate and development through prioritising the issue in the EU and through the International Commission on Climate Change and Development. The international community will now look to Sweden to take the lead on follow up actions so Sweden needs to ensure it has a sufficient number of experts and trained staff to do so, particularly in the MFA.

## Annex A

### Progress since the 2005 DAC Peer Review Recommendations

Key Issues	Recommendations 2005	Achievements since 2005
<i>General framework and situation</i>	<ul style="list-style-type: none"> <li>• Share experience in implementing the <i>Policy for Global Development</i> (PGD) with the DAC member states.</li> <li>• Ensure public and political support including through the Forum for Global Development and reporting back to the Swedish public on achievements.</li> </ul>	<ul style="list-style-type: none"> <li>• Sweden has engaged with other donors, such as in EU Council working parties. Sweden is also active in a range of OECD DAC forums.</li> <li>• Sweden did not put the Forum for Global Development into practice. But it held a parliamentary hearing in 2008 on implementation. Public support remains strong and Sweden is placing a greater emphasis on reporting results. Its spending on communication overall has declined, however.</li> </ul>
<i>ODA volume, channels and allocations</i>	<ul style="list-style-type: none"> <li>• Continue the financial commitment to a 1% target and to support international efforts which foster donor interest and funding commitments.</li> <li>• Work towards a more strategically selective concentration of countries and sectors, consistent with the PGD.</li> <li>• Develop a clearer multilateral strategy and an appropriate performance tracking system as a basis of engagement with these institutions.</li> </ul>	<ul style="list-style-type: none"> <li>• Sweden remains committed to the 1% target. It is also an advocate of increased global funding, for example in the 2008 conference on financing for development in Doha.</li> <li>• Sweden has started to reduce significantly the number of countries in which it works.</li> <li>• In each partner country Sweden is now more selective in choosing which sectors to support. It is currently phasing out its support to other sectors. Globally, however, it remains active in the full range of sectors.</li> <li>• The MFA launched a Strategy for Multilateral Development Cooperation in 2007. This includes an approach to assess effectiveness indicators. A first round of assessments has recently been made.</li> </ul>
<i>Policy coherence for development</i>	<ul style="list-style-type: none"> <li>• Establish a special analytical body that could regularly identify, analyse and promote resolution of issues of policy coherence for development.</li> <li>• Credible and high level approach to monitoring and evaluation of the implementation of PGD on policy coherence for development.</li> </ul>	<ul style="list-style-type: none"> <li>• The MFA remains responsible for analysis, co-ordination and arbitration. A cross government forum is planned, but has not yet met. It is also under the MFA's direction and its ability to resolve policy differences is untested.</li> <li>• Effective monitoring and evaluation have been a challenge. Sweden took part in a review conducted by independent consultants as part of an evaluation of selected EU members' approaches to policy coherence for development. The government commissioned its own review of implementation, prompting a major re-launch of the policy.</li> </ul>

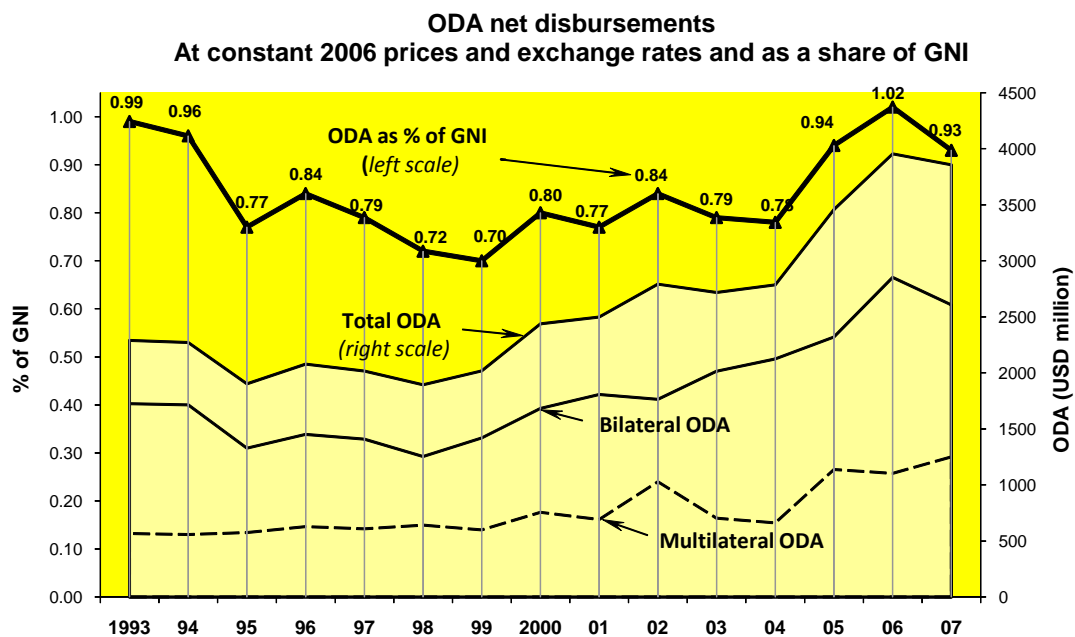
Key Issues	Recommendations 2005	Achievements since 2005
	<ul style="list-style-type: none"> <li>Consider a role for the new evaluation agency more in line with a whole of government approach.</li> </ul>	<ul style="list-style-type: none"> <li>SADEV's mandate is limited to development co-operation — it excludes whole of government approaches and policy coherence for development.</li> </ul>
<i>Aid management and implementation</i>	<ul style="list-style-type: none"> <li>Seek greater system efficiency, promote more of a team environment and review the organisational trade-offs between headquarters and the field.</li> <li>Examine ways that its [Sweden's] system for co-operation strategies can be simplified, consistent with recipient country ownership.</li> <li>Reflect on the size, type, skill base and location of its professional development staff.</li> <li>Work more systematically with other, like-minded donors who are similarly able to generalise their involvement in delegated partnerships.</li> <li>Review the way results are measured to effectively integrate monitoring, evaluation and other results based management approaches.</li> </ul>	<ul style="list-style-type: none"> <li>There is now a clearer division of labour between MFA and Sida and communication between them is more frequent. Financial authority has been delegated to a greater number of teams.</li> <li>Sweden has introduced guidelines and a standard procedure for drawing up co-operation strategies. The strategies are aligned with partner country strategies and the process includes partner and other stakeholder consultations.</li> <li>The MFA has cut staff numbers. It is not clear that the level and allocation of human resources across the development co-operation system is well calibrated to the ambitions and priorities of the Swedish government. Progress on decentralising staff has been limited.</li> <li>Sweden is open to working jointly with other donors including in its projects. Sweden is however now initiating fewer delegated partnerships in favour of a clean exit from a sector or country.</li> <li>Sweden has embarked on an important process to systematise results-based management which includes changes to monitoring requirements. However, embedding the approach will take time.</li> </ul>
Humanitarian aid	<ul style="list-style-type: none"> <li>Operationalise Sweden's humanitarian aid policy. Specifically, protection of civilians, humanitarian aid budgetary guidelines, merger of existing strategies and position papers into single comprehensive strategy and monitoring implementation of the humanitarian aid policy.</li> <li>Humanitarian aid management merits attention. Specifically, the MFA should consider managing humanitarian multilaterals through one administrative unit. Sida should create a separate department responsible for humanitarian aid and better integration of regional humanitarian coordinators. MOD, MFA and Sida should also clarify their operational relations and procedures with the Swedish Rescue Services Agency.</li> </ul>	<ul style="list-style-type: none"> <li>Sida has published a Humanitarian Strategy 2008-2010 that serves to (a) operationalise the humanitarian aid policy, (b) provide overarching guidance (but thematic guidelines remain current) and (c) establish clear objectives. Sweden has not yet established a robust system (including measurable indicators) to monitor and evaluate implementation of the policy.</li> <li>Recent re-organisation within Sida has consolidated responsibilities for multi-bi and bilateral humanitarian action within a single unit. Responsibility for core support to humanitarian multilateral remains functionally separated in the MFA. SRSA has been merged into the new Swedish Civil Contingencies Agency (MSB) from 1st January 2009 located within the Ministry of Defence. It remains too early to determine whether this will adequately clarify operational relations and procedures.</li> </ul>

## Annex B OECD/DAC Standard Suite of Tables

**Table B.1. Total financial flows USD million at current prices and exchange rates**

Sweden	<i>Net disbursements</i>						
	1993-97	1998-2002	2003	2004	2005	2006	2007
<b>Total official flows</b>	<b>1 806</b>	<b>1 739</b>	<b>2 385</b>	<b>2 658</b>	<b>3 358</b>	<b>3 953</b>	<b>4 293</b>
Official development assistance	<b>1 804</b>	<b>1 736</b>	<b>2 400</b>	<b>2 722</b>	<b>3 362</b>	<b>3 955</b>	<b>4 339</b>
Bilateral	1 300	1 181	1 779	2 076	2 256	2 852	2 932
Multilateral	505	555	621	646	1 106	1 103	1 407
Other official flows	2	3	- 15	- 64	- 4	- 2	- 46
Bilateral	2	3	- 15	- 64	- 4	- 2	- 46
Multilateral	-	-	-	-	-	-	-
<b>Net Private Grants</b>	<b>69</b>	<b>34</b>	<b>23</b>	<b>31</b>	<b>29</b>	<b>12</b>	<b>78</b>
<b>Private flows at market terms</b>	<b>360</b>	<b>1 227</b>	<b>-1 153</b>	<b>266</b>	<b>159</b>	<b>210</b>	<b>2 541</b>
Bilateral: <i>of which</i>	360	1 227	-1 153	266	159	210	2 541
Direct investment	224	712	- 337	594	430	333	2 232
Export credits	-	-	-	-	-	-	-
Multilateral	- 1	-	-	-	-	-	-
<b>Total flows</b>	<b>2 235</b>	<b>3 000</b>	<b>1 255</b>	<b>2 954</b>	<b>3 545</b>	<b>4 175</b>	<b>6 911</b>
<i>for reference:</i>							
ODA (at constant 2006 USD million)	2 112	2 328	2 718	2 786	3 458	3 955	3 857
ODA (as a % of GNI)	0.86	0.76	0.79	0.78	0.94	1.02	0.93
Total flows (as a % of GNI) (a)	1.07	1.32	0.42	0.84	0.99	1.08	1.49
ODA to and channelled through NGOs							
- In USD million	126	255	321	396	417	467	643
- In percentage of total net ODA	7	12	13	15	12	12	15
- Median DAC percentage of total net ODA	4	8	8	8	9	7	7

a. To countries eligible for ODA.



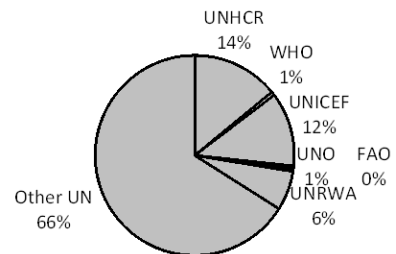
**Table B.2. ODA by main categories**

Sweden	Constant 2006 USD million					Disbursements					Total DAC 2007%
						Per cent share of gross disbursements					
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	
<b>Gross Bilateral ODA</b>	<b>2 015</b>	<b>2 124</b>	<b>2 320</b>	<b>2 852</b>	<b>2 606</b>	<b>74</b>	<b>76</b>	<b>67</b>	<b>72</b>	<b>68</b>	<b>74</b>
<i>Grants</i>	<i>1 985</i>	<i>2 114</i>	<i>2 311</i>	<i>2 838</i>	<i>2 544</i>	<i>73</i>	<i>76</i>	<i>67</i>	<i>72</i>	<i>66</i>	<i>65</i>
Project and programme aid	934	1 207	1 378	1 525	1 324	34	43	40	39	34	24
Technical co-operation	104	115	144	132	142	4	4	4	3	4	13
Developmental food aid	-	-	-	-	-	-	-	-	-	-	1
Humanitarian aid	222	210	269	295	273	8	8	8	7	7	5
Action relating to debt	187	27	54	292	66	7	1	2	7	2	8
Administrative costs	141	151	130	193	190	5	5	4	5	5	4
Other grants	397	404	336	402	548	15	15	10	10	14	9
<i>Non-grant bilateral ODA</i>	<i>30</i>	<i>10</i>	<i>9</i>	<i>14</i>	<i>63</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>2</i>	<i>9</i>
New development lending	30	10	9	14	8	1	0	0	0	0	8
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	0
Acquisition of equity and other	-	-	-	-	55	-	-	-	-	1	1
<b>Gross Multilateral ODA</b>	<b>703</b>	<b>661</b>	<b>1 138</b>	<b>1 103</b>	<b>1 250</b>	<b>26</b>	<b>24</b>	<b>33</b>	<b>28</b>	<b>32</b>	<b>26</b>
UN agencies	303	297	479	517	479	11	11	14	13	12	5
EC	139	230	203	246	278	5	8	6	6	7	10
World Bank group	-	25	282	47	285	-	1	8	1	7	5
Regional development banks (a)	151	49	107	109	126	6	2	3	3	3	2
Other multilateral	110	60	65	184	83	4	2	2	5	2	4
<b>Total gross ODA</b>	<b>2 718</b>	<b>2 786</b>	<b>3 458</b>	<b>3 955</b>	<b>3 857</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Repayments and debt cancellation	-	-	-	-	-	-	-	-	-	-	-
<b>Total net ODA</b>	<b>2 718</b>	<b>2 786</b>	<b>3 458</b>	<b>3 955</b>	<b>3 857</b>						
<i>For reference:</i>											
Associated financing (b)	-	-	-	-	-	-	-	-	-	-	-
Net debt relief	187	27	54	292	66						
Imputed student cost	-	-	-	-	-						
Refugees in donor countries	216	183	148	164	230						

a Excluding EBRD.

b. ODA grants and loans in associated financing packages.

**Contributions to UN Agencies (2006-07 Average)**



**Contributions to Regional Development Banks (2006-07 Average)**

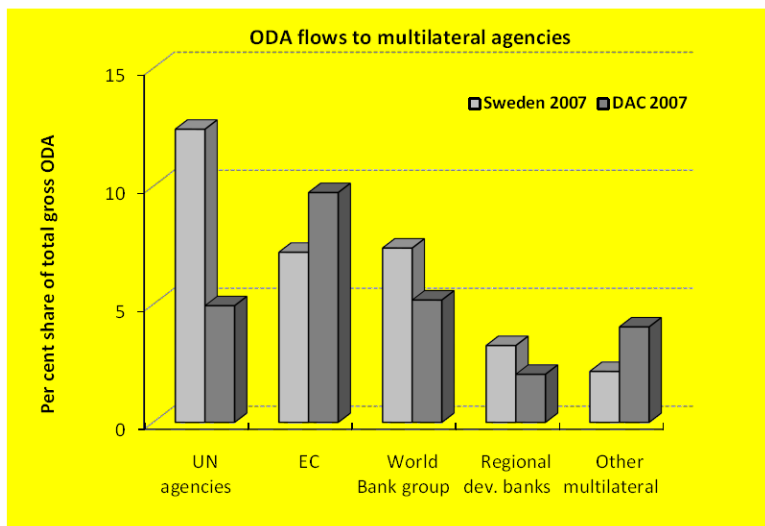
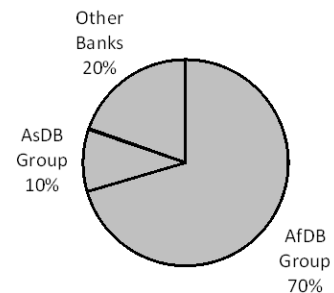
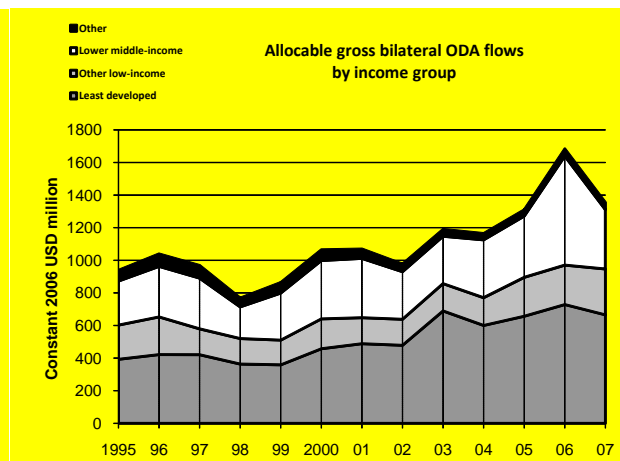
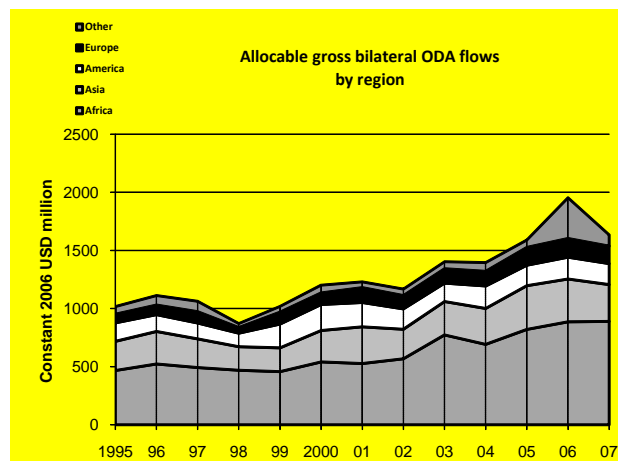


Table B.3. Bilateral ODA allocable by region and income group

Sweden	Constant 2006 USD million					Gross disbursements					Total DAC 2007%
						Per cent share					
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	
<b>Africa</b>	774	692	821	886	890	55	50	52	45	54	<b>39</b>
Sub-Saharan Africa	694	631	758	826	823	49	45	48	42	50	<b>33</b>
North Africa	5	5	5	5	5	0	0	0	0	0	<b>5</b>
<b>Asia</b>	287	308	376	368	316	20	22	24	19	19	<b>29</b>
South and Central Asia	152	149	207	186	147	11	11	13	10	9	<b>14</b>
Far East	116	138	147	158	143	8	10	9	8	9	<b>14</b>
<b>America</b>	158	193	176	187	180	11	14	11	10	11	<b>9</b>
North and Central America	95	117	105	119	108	7	8	7	6	7	<b>4</b>
South America	48	59	57	56	59	3	4	4	3	4	<b>5</b>
<b>Middle East</b>	60	75	63	350	96	4	5	4	18	6	<b>17</b>
<b>Oceania</b>	0	0	0	0	0	0	0	0	0	0	<b>2</b>
<b>Europe</b>	125	128	155	162	152	9	9	10	8	9	<b>4</b>
<b>Total bilateral allocable by region</b>	<b>1 403</b>	<b>1 396</b>	<b>1 590</b>	<b>1 954</b>	<b>1 634</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	689	600	657	729	665	58	52	50	43	49	<b>32</b>
<b>Other low-income</b>	168	171	239	242	281	14	15	18	14	21	<b>18</b>
<b>Lower middle-income</b>	290	355	376	669	365	24	30	29	40	27	<b>43</b>
<b>Upper middle-income</b>	42	39	38	44	43	4	3	3	3	3	<b>6</b>
<b>More advanced developing countries</b>	-	-	-	-	-	-	-	-	-	-	<b>-</b>
<b>Total bilateral allocable by income</b>	<b>1 190</b>	<b>1 164</b>	<b>1 310</b>	<b>1 684</b>	<b>1 355</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>											
<i>Total bilateral</i>	2 015	2 124	2 320	2 852	2 606	100	100	100	100	100	<b>100</b>
<i>of which: Unallocated by region</i>	612	729	730	898	973	30	34	31	31	37	<b>19</b>
<i>of which: Unallocated by income</i>	825	960	1 011	1 168	1 252	41	45	44	41	48	<b>25</b>



1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4 Main recipients of bilateral ODA

Sweden	1995-99 average				Memo: DAC countries' median	2000-04 average				Memo: DAC countries' median	2006-07 average				Memo: DAC countries' median
	Current	Constant	Per cent	countries'		Current	Constant	Per cent	countries'		Current	Constant	Per cent	countries'	
	USD million	2006 USD mln	share			USD million	2006 USD mln	share			USD million	2006 USD mln	share		
Tanzania	53	61	7	33	Tanzania	64	81	7	34	Iraq	148	147	9	43	
Mozambique	51	58	6		Mozambique	52	65	6		Tanzania	110	104	7		
Viet Nam	37	42	5		Congo, Dem. Rep.	43	49	5		Mozambique	98	92	6		
South Africa	33	38	4		Nicaragua	34	43	4		Uganda	60	56	4		
Ethiopia	33	38	4		Serbia	33	42	4		Sudan	58	54	4		
<b>Top 5 recipients</b>	<b>206</b>	<b>237</b>	<b>26</b>	<b>33</b>	<b>Top 5 recipients</b>	<b>227</b>	<b>280</b>	<b>26</b>	<b>34</b>	<b>Top 5 recipients</b>	<b>473</b>	<b>463</b>	<b>29</b>	<b>43</b>	
India	32	35	4	51	Afghanistan	31	38	4	52	Palestinian Adm. Areas	53	50	3	60	
Nicaragua	31	35	4		Palestinian Adm. Areas	31	39	4		Afghanistan	51	48	3		
Bosnia-Herzegovina	31	36	4		Uganda	30	38	3		Zambia	51	48	3		
Bangladesh	27	31	3		Bosnia-Herzegovina	30	38	3		Karva	49	46	3		
Angola	26	30	3		Viet Nam	29	38	3		Viet Nam	45	42	3		
<b>Top 10 recipients</b>	<b>353</b>	<b>403</b>	<b>44</b>	<b>51</b>	<b>Top 10 recipients</b>	<b>379</b>	<b>470</b>	<b>43</b>	<b>52</b>	<b>Top 10 recipients</b>	<b>721</b>	<b>687</b>	<b>45</b>	<b>60</b>	
Zimbabwe	25	29	3	63	Ethiopia	28	35	3	66	Cameroon	43	39	3	70	
Iraq	25	28	3		Bangladesh	27	35	3		Ethiopia	43	41	3		
Uganda	24	27	3		South Africa	26	33	3		Nicaragua	41	39	3		
Zambia	23	26	3		Honduras	25	32	3		Serbia	39	37	2		
Palestinian Adm. Areas	21	25	3		Bolivia	22	27	2		Bosnia-Herzegovina	39	37	2		
<b>Top 15 recipients</b>	<b>471</b>	<b>537</b>	<b>59</b>	<b>63</b>	<b>Top 15 recipients</b>	<b>507</b>	<b>632</b>	<b>58</b>	<b>66</b>	<b>Top 15 recipients</b>	<b>926</b>	<b>879</b>	<b>58</b>	<b>70</b>	
Bolivia	18	20	2	72	Zambia	20	26	2	74	Congo, Dem. Rep.	37	35	2	78	
Karva	18	20	2		Karva	20	24	2		Guatemala	31	29	2		
Serbia	15	17	2		Cambodia	18	23	2		Mali	26	24	2		
Cambodia	14	16	2		Laos	17	22	2		Bangladesh	25	24	2		
Laos	14	16	2		Sri Lanka	17	22	2		Bolivia	22	20	1		
<b>Top 20 recipients</b>	<b>549</b>	<b>627</b>	<b>69</b>	<b>72</b>	<b>Top 20 recipients</b>	<b>600</b>	<b>748</b>	<b>68</b>	<b>74</b>	<b>Top 20 recipients</b>	<b>1 066</b>	<b>1 013</b>	<b>66</b>	<b>78</b>	
<b>Total (129 recipients)</b>	<b>801</b>	<b>916</b>	<b>100</b>		<b>Total (115 recipients)</b>	<b>878</b>	<b>1 093</b>	<b>100</b>		<b>Total (115 recipients)</b>	<b>1 604</b>	<b>1 519</b>	<b>100</b>		
Unallocated	396	458			Unallocated	636	786			Unallocated	1 288	1 210			
<b>Total bilateral gross</b>	<b>1 198</b>	<b>1 374</b>			<b>Total bilateral gross</b>	<b>1 515</b>	<b>1 879</b>			<b>Total bilateral gross</b>	<b>2 892</b>	<b>2 729</b>			

Table B.5. Bilateral ODA by major purposes

Sweden	Gross disbursements						
	1995-99 average		2000-04 average		2006-07 average		2006-07 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
<b>Social infrastructure &amp; services</b>	<b>409</b>	<b>35</b>	<b>491</b>	<b>35</b>	<b>927</b>	<b>34</b>	<b>37</b>
Education	89	8	72	5	102	4	9
of which: basic education	47	4	22	2	44	2	2
Health	84	7	64	5	167	6	5
of which: basic health	49	4	23	2	101	4	3
Population & reproductive health	13	1	38	3	95	3	5
Water supply & sanitation	32	3	36	3	56	2	4
Government & civil society	119	10	192	14	419	15	10
of which: Conflict, peace & security	-	-	-	-	80	3	2
Other social infrastructure & services	71	6	88	6	89	3	4
<b>Economic infrastructure &amp; services</b>	<b>140</b>	<b>12</b>	<b>120</b>	<b>9</b>	<b>158</b>	<b>6</b>	<b>12</b>
Transport & storage	28	2	42	3	25	1	4
Communications	27	2	9	1	8	0	0
Energy	59	5	37	3	46	2	4
Banking & financial services	15	1	14	1	15	1	2
Business & other services	12	1	18	1	63	2	2
<b>Production sectors</b>	<b>106</b>	<b>9</b>	<b>46</b>	<b>3</b>	<b>173</b>	<b>6</b>	<b>5</b>
Agriculture, forestry & fishing	88	7	36	3	110	4	4
Industry, mining & construction	14	1	5	0	36	1	1
Trade & tourism	4	0	5	0	27	1	1
Other	0	0	-	-	0	0	0
<b>Multisector</b>	<b>81</b>	<b>7</b>	<b>105</b>	<b>8</b>	<b>224</b>	<b>8</b>	<b>7</b>
<b>Commodity and programme aid</b>	<b>39</b>	<b>3</b>	<b>73</b>	<b>5</b>	<b>130</b>	<b>5</b>	<b>4</b>
<b>Action relating to debt</b>	<b>26</b>	<b>2</b>	<b>48</b>	<b>3</b>	<b>183</b>	<b>7</b>	<b>17</b>
<b>Humanitarian aid</b>	<b>150</b>	<b>13</b>	<b>167</b>	<b>12</b>	<b>301</b>	<b>11</b>	<b>7</b>
<b>Administrative costs of donors</b>	<b>88</b>	<b>7</b>	<b>108</b>	<b>8</b>	<b>203</b>	<b>7</b>	<b>5</b>
<b>Aid to NGOs (core support)</b>	<b>42</b>	<b>4</b>	<b>110</b>	<b>8</b>	<b>233</b>	<b>8</b>	<b>3</b>
<b>Refugees in donor countries</b>	<b>101</b>	<b>9</b>	<b>134</b>	<b>10</b>	<b>211</b>	<b>8</b>	<b>2</b>
<b>Total bilateral allocable</b>	<b>1 182</b>	<b>100</b>	<b>1 400</b>	<b>100</b>	<b>2 744</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>							
Total bilateral	1 198	69	1 456	71	2 892	70	76
of which: Unallocated	15	1	61	3	148	4	1
Total multilateral	531	31	605	29	1 255	30	24
<b>Total ODA</b>	<b>1 729</b>	<b>100</b>	<b>2 062</b>	<b>100</b>	<b>4 147</b>	<b>100</b>	<b>100</b>

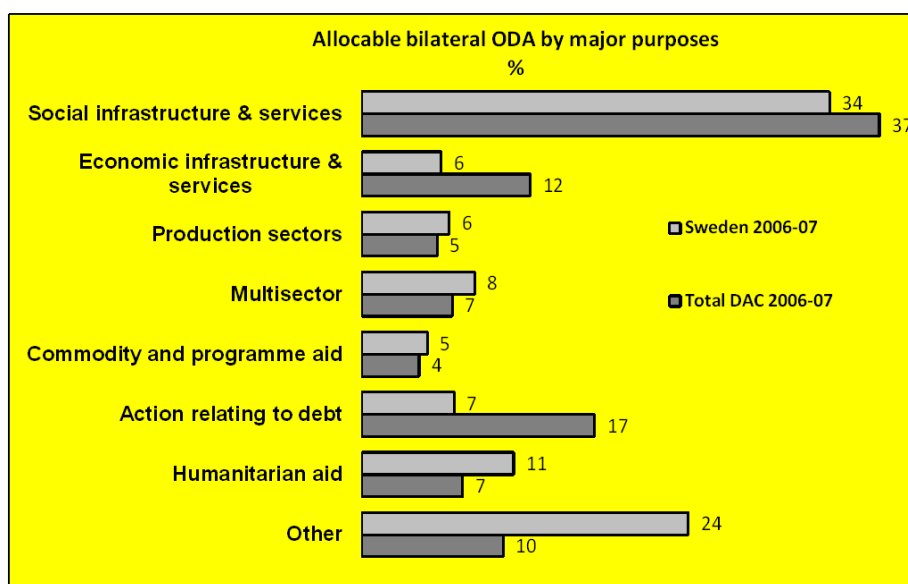


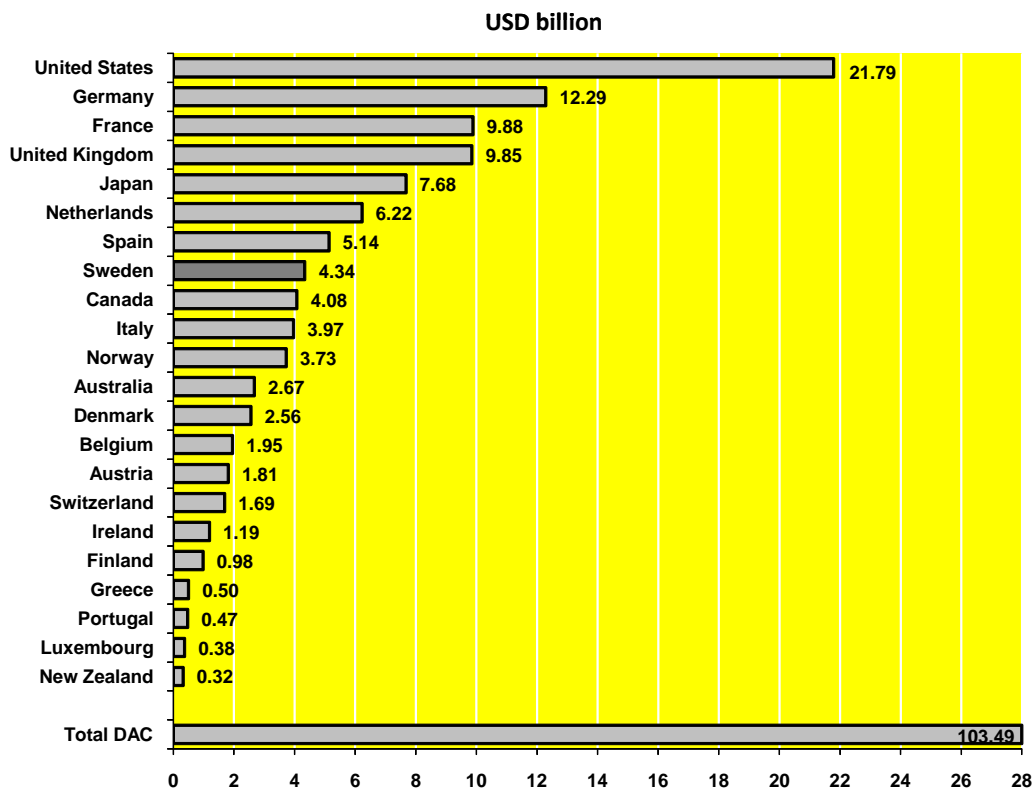
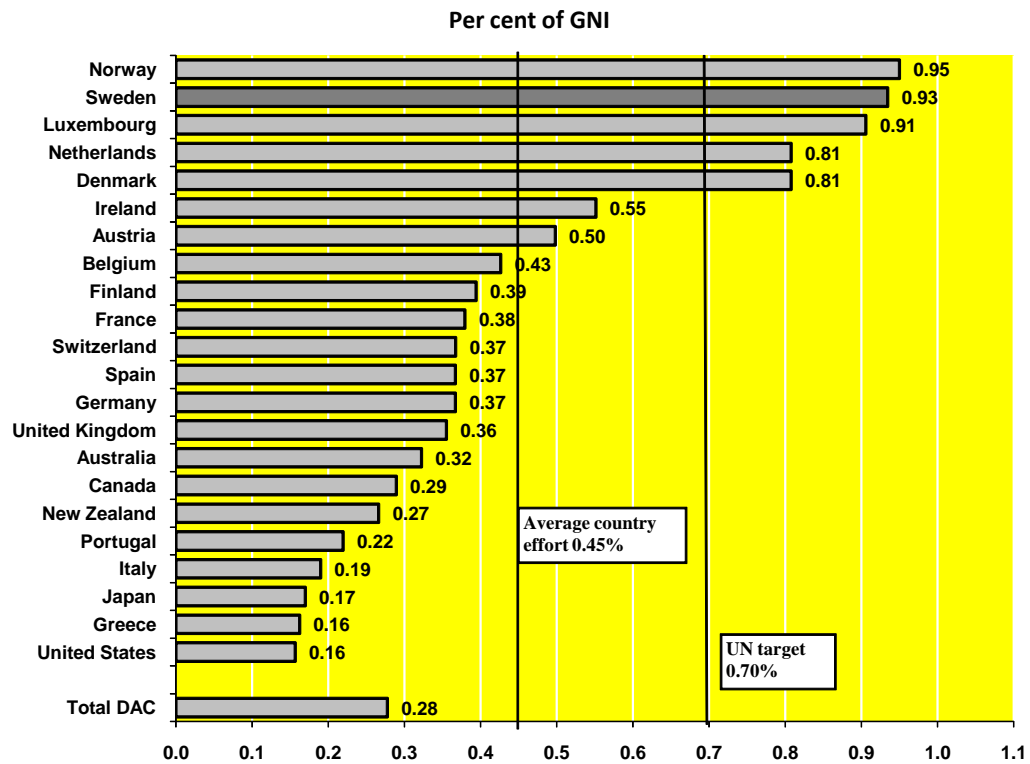
Table B.6. Comparative aid performance

	Official development assistance			Grant element of ODA (commitments) 2007 % ( a )	Share of multilateral aid 2007				Net disbursements	
	2007		2001-02 to 06-07 Average annual % change in real terms		% of ODA		% of GNI		ODA to LDCs Bilateral and through multilateral agencies 2007	
	USD million	% of GNI			( b )	( c )	( b )	( c )	% of ODA	% of GNI
Australia	2 669	0.32	7.2	100.0	15.0		0.05		25.8	0.08
Austria	1 808	0.50	12.8	100.0	26.8	12.4	0.13	0.06	14.1	0.07
Belgium	1 953	0.43	5.2	99.7	36.5	13.3	0.16	0.06	39.9	0.17
Canada	4 080	0.29	6.1	100.0	22.7		0.07		38.3	0.11
Denmark	2 562	0.81	-1.7	100.0	35.6	26.3	0.29	0.21	42.1	0.34
Finland	981	0.39	7.6	99.9	40.5	22.5	0.16	0.09	37.3	0.15
France	9 884	0.38	6.3	92.6	36.7	14.9	0.14	0.06	30.1	0.11
Germany	12 291	0.37	7.9	95.8	35.3	15.4	0.13	0.06	24.7	0.09
Greece	501	0.16	2.9	100.0	50.2	6.7	0.08	0.01	22.3	0.04
Ireland	1 192	0.55	14.8	100.0	30.9	19.7	0.17	0.11	51.0	0.28
Italy	3 971	0.19	3.6	98.9	68.0	30.4	0.13	0.06	33.0	0.06
Japan	7 679	0.17	-0.2	86.1	24.8		0.04		33.0	0.06
Luxembourg	376	0.91	6.0	100.0	32.5	23.6	0.29	0.21	39.2	0.36
Netherlands	6 224	0.81	2.7	100.0	25.4	16.3	0.21	0.13	29.1	0.24
New Zealand	320	0.27	6.9	100.0	22.7		0.06		26.2	0.07
Norway	3 728	0.95	4.6	100.0	22.7		0.22		35.6	0.34
Portugal	471	0.22	-2.3	85.7	42.6	12.5	0.09	0.03	43.9	0.10
Spain	5 140	0.37	8.2	95.8	35.0	16.9	0.13	0.06	21.9	0.08
Sweden	4 339	0.93	8.1	100.0	32.4	25.2	0.30	0.24	31.4	0.29
Switzerland	1 689	0.37	5.6	100.0	24.6		0.09		28.9	0.11
United Kingdom	9 849	0.36	9.7	100.0	43.1	21.4	0.15	0.08	40.9	0.15
United States	21 787	0.16	9.9	100.0	13.2		0.02		28.0	0.04
<b>Total DAC</b>	<b>103 491</b>	<b>0.28</b>	<b>6.4</b>	<b>97.1</b>	<b>29.6</b>	<b>18.2</b>	<b>0.08</b>	<b>0.05</b>	<b>30.9</b>	<b>0.09</b>
Memo: Average country effort		0.45								

*Notes:*

- a. Excluding debt reorganisation.  
b. Including EC.  
c. Excluding EC.  
.. Data not available.

Figure B.1. Net ODA from DAC countries in 2007





## Annex C

### Sweden and the Good Humanitarian Donorship Initiative

Sweden hosted the inaugural Good Humanitarian Donorship (GHD) conference in June 2003. It was an original endorsee of the Principles and Good Practices of Humanitarian Donorship and was the first donor government to release a national GHD implementation plan (January 2005). Sweden continues to play a prominent role in the GHD Initiative and recently concluded a one-year tenure as co-Chair of the GHD group. This peer review is the second time that Sweden has been assessed by the DAC against its GHD commitments. Part One of the 2005 peer review (OECD, 2005a) made two recommendations for Swedish humanitarian action. The peer review team considers that Sweden has made modest progress against both recommendations (Annex A).

This assessment has been conducted in accordance with the DAC’s 2005 humanitarian assessment framework.<sup>13</sup> It is structured in line with the four thematic clusters of the GHD principles and good practices: (i) policy framework for humanitarian action; (ii) funding flows; (iii) promoting standards and enhancing implementation; and (iv) learning and accountability. It concludes by identifying issues for further consideration by the Swedish development co-operation system. The report primarily draws on a series of meetings held in Stockholm in January 2009 with MFA and SIDA officers and CSO partners of the Swedish humanitarian assistance programme. Supplementary comments were also sought from a number of European-based multilateral agencies. Assessment of Swedish humanitarian action was included as an objective of the field visit to Mozambique.

#### Policy framework for humanitarian action

##### *Policy for global development*

The overarching *Policy for Global Development* states that “humanitarian assistance is a significant element of the policy for global development”. It noted that “humanitarian operations have an important task in development co-operation” but also noted that “some features of humanitarian work distinguish it from long-term development co-operation” (GoS, 2003). Humanitarian action has therefore been positioned as a distinct component of the Swedish development co-operation system and its unique characteristics are explicitly acknowledged in order to safeguard its neutrality and impartiality.

<sup>13</sup>

The headquarters and field visits were conducted before the revised humanitarian assessment framework for DAC peer reviews (DCD/DAC (2008)48/REV1) had been approved. Nevertheless, the peer review team acknowledges that Swedish officials voluntarily addressed many of the new issues covered in the humanitarian assessment framework.

### ***Humanitarian aid policy***

*The Swedish Government's Humanitarian Aid Policy* (GoS, 2004) remains the principal policy guidance for Swedish humanitarian action. It states that it is intended “to contribute to achieving the goal of the government’s international development co-operation ... and thus to achieving the overall goal of the government’s development policy, *i.e.* equitable and sustainable global development, as declared in the Bill, Shared Responsibility”. It again confirms the location of humanitarian action within a broader development context and re-affirms its distinctive origins (*i.e.* international humanitarian law) and core principles (*i.e.* humanity, neutrality, impartiality and independence).

The policy outlines the goals and principles for Swedish humanitarian action, many of which re-state or elaborate on commitments under the GHD Initiative. In accordance with GHD principles, it notes that “the point of departure is that every state has primary responsibility for meeting humanitarian needs that arise within its borders”, a principle that Sweden is attempting to support in Mozambique. This shared principle, with development assistance counterparts, of state ownership and responsibility should provide a useful platform for ensuring that Swedish humanitarian action is indeed supportive of downstream recovery and development processes in line with GHD commitments.

The *Humanitarian Aid Policy* was described in the previous peer review as “*far reaching and advanced*” (OECD, 2005a). Five years on, the policy remains relevant but lacks specific objectives and measurable indicators. Furthermore, it does not identify the particular contributions of Swedish humanitarian action to the *Policy for Global Development* or the policy coherence agenda outlined in *Global Challenges*. There is, therefore, a substantive requirement to update the policy, as well as the associated GHD national implementation plan. Sweden’s proposal to revise the humanitarian policy by the end of 2009 is therefore timely and will be a useful opportunity to develop linkages with other policy guidance and enhance monitoring of results.

### ***Sida’s strategy for humanitarian work***

In December 2007, the Cabinet approved *Strategy for Sida’s Humanitarian Work 2008-2010* (Sida, 2007d).<sup>14</sup> This document serves to operationalise Sweden’s humanitarian aid policy. The primary goal of the strategy replicates the government policy but is given greater definition by eight sub-goals<sup>15</sup> that broadly correspond to Sweden’s GHD commitments. The strategy is, in turn, underpinned by operational guidelines for CSOs accessing Swedish humanitarian ODA that specify eligibility criteria, formats and follow-up.

### ***Disaster risk reduction***

In its 2004 letter of appropriation, Sida was commissioned to report on how humanitarian assistance and development co-operation contribute to disaster risk

<sup>14</sup> Government Decision No. UD2007/46656/SP, *Strategi för Sidas humanitära bistånd 2008-2010*, 19 December 2007.

<sup>15</sup> Promote principles of GHD; support needs-based humanitarian action; strengthen humanitarian co-ordination; support local capacity building; promote the link between humanitarian assistance and prevention; minimise the gap between humanitarian assistance and recovery; strengthen the humanitarian system; and strengthen humanitarian principles.

reduction (DRR) measures. In October 2005, Sida released a report, *Reducing the Risk of Disasters: Sida's efforts to reduce poor people's vulnerability to hazards* (Sida, 2005a), which contained an action plan for further integrating risk and vulnerability to hazards into Sida's development co-operation work (Box 13). Progress has been made against many of the 13 points in the action plan. Most notably, Sida has attempted to broaden ownership of the DRR policy agenda beyond the Humanitarian Team, *i.e.* DRR policy is now managed and overseen by Sida's Policy Team for Environment and Climate Change, giving them the mandate to ensure that DRR is integrated into all relevant areas of work. However, a Tearfund report highlighted a lack of institutional capacity within Sida as the major constraint to deeper integration of DRR issues (Venton and La Trobe, 2007). A possible reflection of this capacity deficit is lack of recognition of DRR in the *Strategy for Development Co-operation with Mozambique*, even though the strategy recognises that Mozambique is “regularly afflicted by major natural disasters, above all floods along the rivers and prolonged drought in the interior of the country” (MFA, 2008b).<sup>16</sup>

### Box 13. Sida's 13-point action plan for disaster risk reduction

1. Integrate DRR into Sida's development co-operation.
2. Develop a strategy for managing Sida's DRR initiatives.
3. Support partner countries' incorporation of risk assessment in poverty reduction strategy papers.
4. Promote flexibility in Sida's financial mechanisms to facilitate broad-based funding of DRR.
5. Integrate a DRR perspective into Sida's country strategies, analyses, programmes and projects.
6. Integrate risk assessment into Sida's methodological tools for environmental impact assessment.
7. Identify specific areas of responsibility for Sida's departments and units.
8. Identify high priority sector areas for Sida's initiatives.
9. Provide DRR training for Sida personnel.
10. Produce fact sheets to disseminate lucid information about risk and vulnerability.
11. Reinforce knowledge transfer between Sida's head office, embassies and partner organisations.
12. Enable annual follow-up and evaluation of Sida's DRR activities.
13. Take advantage of the current political will to strengthen DRR initiatives.

In October 2007, the *Stockholm Plan of Action for Integrating Disaster Risks and Climate Change Impacts in Poverty Reduction* was adopted at a workshop organised jointly by Sida, the World Bank, the International Strategy for Disaster Risk Reduction (ISDR) and the Global Facility for Disaster Reduction and Recovery (GFDRR) (Sida/World Bank/ISDR, 2007). Sida has also released a strategy on DRR, which will, in 2009-2010, be complemented by a new policy on environment and climate change. The action plan, the Stockholm Plan, Sida's DRR strategy, the forthcoming report of the Commission on Climate Change and Development and Sweden's proposed Policy on Climate Change Adaptation will all provide the basis for an enhanced focus on DRR. However, it will be important to ensure DRR does not become solely a climate change issue and that vulnerabilities related to other natural and environmental disasters are also addressed in development co-operation strategies.

<sup>16</sup> A regional watershed management programme to address control measures along river basins prone to flooding in Mozambique is based in the Maputo office, but is not part of the bilateral development co-operation partnership with Mozambique.

### ***Other relevant policies and strategies***

*Sweden's Strategy for Multilateral Development Co-operation* (GoS, 2007) contains specific guidance for supporting humanitarian action by multilateral agencies. It states that humanitarian action should broadly conform with relevance and effectiveness criteria for supporting multilateral development agencies, but only insofar as humanitarian needs — and not political priorities of host government — remain the core parameter for disbursement of assistance. Other corporate policies on gender, environment and HIV/AIDS are applicable to Swedish humanitarian action. There are specific instructions regarding incorporation of gender issues, including sexual and gender-based violence (SGBV), when assessing humanitarian projects. Furthermore, there is a specific target that at least 80% of all assessments in conflict environments should include specific reference to SGBV. Similarly, there are specific references in Sida's humanitarian strategy to the special needs of people living with HIV/AIDS and all implementing partners are responsible for carrying out an analysis of environmental impacts. However, it is less evident how these practices have been incorporated into decision-making in practice.

### ***Policy coherence with other Swedish actors***

*Global Challenges* does not feature humanitarian action, although the humanitarian character of Swedish assistance in crisis-prone communities was reiterated through identification of specific areas where humanitarian action could contribute to broader policy agendas, including special measures to increase access to health care in conflict and post-conflict societies, protection for displaced people and women, and pandemic preparedness. Nevertheless, the *National Strategy for Swedish Participation in International Peace Support and Security-building Operations* specifically refers to the *Policy for Global Development* as the basis for operations of the Swedish Armed Forces in developing countries and acknowledges that “development-promoting and security-building operations should work together” (GoS, 2008d). Importantly, in the context of peace support missions, it also acknowledges the centrality of core humanitarian principles by noting that “it is important that the co-ordination of peace support operations respects the different roles, tasks and mandates ... It is therefore in the interests of all players to press for the best possible co-ordination, provided this co-operation does not have an adverse impact on how the neutrality and independence of humanitarian operations is perceived”. As with other areas of development co-operation, inter-departmental policy coherence on humanitarian action hinges on the government system of Cabinet decision-making and letters of appropriation applicable to all relevant departments.

## **Financing Swedish humanitarian action**

### ***Management***

Swedish finance for humanitarian action is channelled through both MFA and Sida in approximately equal proportions. The former primarily provides core funding to implementing partners, whereas the latter is responsible for administering multi-bi funding streams and CSO grants for humanitarian response and early recovery assistance. Multi-bi and CSO grants are subject to streamlined approval processes and are exempt from formal approval by the Sida Project Committee. DRR initiatives are generally

financed through development co-operation funding streams, although a small proportion of the humanitarian budget is dedicated to support international DRR initiatives (e.g. ISDR and GFDRR). While Sida enjoys a large degree of autonomy in allocating humanitarian resources, in practice there is some collaboration with MFA in determining these allocations, though at the general level. Unlike development assistance, however, the locus for decision-making on humanitarian allocations remains primarily at Sida headquarters but input is sought from field offices in reaching these decisions. Neither the minister nor MFA can “instruct” Sida where and when to respond to crises. This is made possible by Swedish law, which enshrines implementing agencies’ independence. It also ensures there is a separation from political imperatives and that available resources are allocated to the direst situations in accordance with the principle of proportionality whilst ensuring that less visible emergencies are not forgotten.<sup>17</sup>

### *Volume*

Sweden reported net humanitarian disbursements of USD 308 million in 2007 and USD 366 million in 2008. This maintains the level of humanitarian expenditure at 7-8% of ODA indicating little change since the last peer review. Like other donors, however, this figure does not capture the full breadth of expenditure on humanitarian activities since it does not include the significant allocations of core support to UN humanitarian agencies, reported to the DAC as multilateral contributions. These allocations comply with GHD commitments to reduce earmarking and to devolve to operational agencies decision-making authority on resource allocation. When these humanitarian unearmarked contributions are included, Sweden estimates that at least 13% of total ODA is allocated to humanitarian assistance (but excluding many DRR activities that also qualify as humanitarian action according to the GHD definition but are reported against development sector codes). It also excludes contributions to the UN Peace-building Fund, which supports stabilisation activities that link humanitarian relief, recovery and development assistance in countries emerging from conflict. Sweden has made multi-year pledges to the UN Peace-building Fund amounting to USD 54.6 million in total.<sup>18</sup>

### *Channels*

In line with Sweden’s strong commitment to multilateralism, humanitarian assistance is primarily disbursed through UN agencies and Red Cross/Red Crescent organisations. For example, in 2007, Sweden was the third largest donor to the UN Office for Coordination of Humanitarian Affairs (USD 23.4 million); fourth largest donor to United Nations High Commission for Refugees (USD 85.1 million) and thirteenth largest donor to the World Food Programme (USD 64.7 million). A further USD 51 million was allocated to the Central Emergency Response Fund (CERF), making Sweden the fourth largest donor to this important stand-by fund that is accessible by all operational humanitarian agencies within the United Nations (OCHA, 2009). Sweden also allocates assistance through other pooled funding mechanisms, such as the Common Humanitarian

<sup>17</sup> The Sida Humanitarian Team Director has financial delegation up to SEK 50 million; the Director of the Department for Countries in Conflict and Post Conflict has authority of up to SEK200 million and above that the Assistant Director General – Operations has financial delegation.

<sup>18</sup> [www.unpbf.org/pledges.shtml](http://www.unpbf.org/pledges.shtml), accessed March 2009.

Funds in Sudan, the Democratic Republic of Congo and the Central African Republic and the Emergency Response Funds/Humanitarian Response Funds in Ethiopia, and Indonesia. Additionally, Sweden is a leading donor to the International Committee of the Red Cross (ICRC) with contributions in 2007 amounting to USD 65.8 million, making it the fifth largest donor.

Sweden provides funds to all UN Consolidated Inter-Agency Appeals (CAPs) as well as most “flash appeals” (nearly 38% of funds were channelled through these appeals in 2008). However, regular, active and sustained Swedish participation in the formulation of the Common Humanitarian Action Plans (CHAPs) that underpin CAPs is contingent on Sida having a humanitarian field presence. Given that Sweden aims to support all CAPs and most (if not all) flash appeals, Sweden’s perspectives are valuable in CHAP formulation dialogues and Sweden is encouraged to continue to participate wherever possible.

CSOs are significant implementing partners of Swedish humanitarian action. Furthermore, Sida has also entered into humanitarian framework agreements with seven Swedish CSO partners; these allow for the pre-positioning of funds (amounting to SEK 59.1 million or USD 8.8 million in 2008). Essentially, these agencies have discretion to allocate pre-positioned funds for emergency operations in the immediate aftermath of crises with minimal recourse to Sida. Where necessary, additional allocations are also made available to these and other CSOs. Sida administers these partnerships using two sets of guidelines, *Guidelines for Grants to Non-governmental Organisations for Humanitarian Projects* (Sida, 2007e) and *Guidelines for General Grants for Minor Humanitarian Projects* (Sida, 2006d). Sida is considered by CSO partners to be flexible and responsive. However, some concerns were raised with the peer review team about NGO access to reliable funding streams for DRR and post-crisis recovery assistance. Sida should clarify sources of NGO funding for these critical elements of the humanitarian agenda.

In Mozambique, Sweden — together with other donors — has also taken the innovative step of committing to channel financial resources for humanitarian responses to crises through the GBS mechanism. *Strategy for Development Co-operation with Mozambique: September 2008- December 2012* (GoS, 2008) states that “financing of humanitarian relief and recovery efforts should ... be channelled through the state budget as far as possible”. While the international humanitarian community regularly provides assistance in the aftermath of natural disasters, Mozambique has built up its own capacity for disaster management — principally under the auspices of the National Institute for Disaster Management (INGC). Significantly, the Mozambican government has also committed to allocate financial resources to crisis response drawing on GBS funds. While Sweden and other GBS partners will allocate additional resources as required through more conventional humanitarian channels, partial alignment of humanitarian resources represents an important vote of confidence in a national system and corresponds to GHD commitments to support national disaster management capacities where feasible. Clearly, this course of action is not admissible in many crisis situations where fundamental humanitarian principles could be compromised. However, it demonstrates an important readiness to recognise host state responsibilities and competencies in crisis situations and, where appropriate, to live up to international commitments under the Hyogo Framework for Action “to reduce the impact of disasters, through strengthened national efforts and enhanced bilateral, regional and international co-operation, including through technical and financial assistance” (UNISDR, 2005).

### *Geographic priorities*

Humanitarian allocations are geographically dispersed and change annually. Sweden strives to live up to its GHD commitments to allocate humanitarian assistance strictly on the basis of need — rather than on the geographic priorities of the rest of the development co-operation system. Nevertheless, the recent re-categorisation of bilateral partnerships provides useful opportunities to synergise Swedish humanitarian action with broader development goals – notably in Category Two countries (“Conflict and Post-Conflict” situations) and disaster-prone countries in Category One (long-term development partnerships). This latter cluster also represents an obvious priority for support to DRR initiatives, while in the former, humanitarian action can assist to lay the groundwork for creating conditions that are conducive to early recovery and resumption of development pathways. In Category Four countries (“Democratic Deficit” situations), humanitarian assistance is likely to be the only form of Swedish assistance.

### *Quality of Swedish financing*

Several multilateral agencies interviewed during the peer review described Sweden as an exemplary donor. This opinion is testament to rigorous application of the principles for financing humanitarian action defined in *Sweden’s Strategy for Multilateral Development Co-operation* (GoS, 2007). Predictability, soft earmarking and timeliness are identified as specific principles to underpin disbursement of humanitarian funds. In this regard, it is noteworthy that Sweden generally aims to allocate unearmarked — or soft earmarked — financing to all major implementing partners (including CSOs) and has set an annual target of 31 March for processing payments related to CAPs. Other more generic relevance and effectiveness criteria are pursued through active participation in the executive boards and donor support groups of key implementing partners.

## **Implementation**

### *Promoting standards*

Sweden has taken active steps to promote improvements to the implementation of international humanitarian action. In co-operation with the Program on Humanitarian Policy and Conflict Research at Harvard University, Sida sponsors the Advanced Training in Humanitarian Action (ATHA) programme at the Civil Society Center in Härnösand in Sweden — a rolling programme of 7-8 training sessions per year in humanitarian co-ordination, security management, international humanitarian law, protection, and in the use of satellite imagery for humanitarian relief and recovery. The objective of the programme is “to address the challenges to which NGOs are increasingly exposed in complex emergencies, generating the need for the development of strategic tools to enhance the capability of these organisations in high-risk environments”.<sup>19</sup> A second workshop at the Civil Society Center, *Introduction to Humanitarian Action*, is offered twice a year and serves as a preparatory course for staff of Swedish NGOs and partner agencies with more limited experience in the humanitarian sector. This course outlines the basis for humanitarian action and introduces the theoretical background to

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[http://www.reliefweb.int/rw/rwt.nsf/db900SID/OCHALGEY6/\\$File/Course\\_Descriptio n.pdf?OpenElement](http://www.reliefweb.int/rw/rwt.nsf/db900SID/OCHALGEY6/$File/Course_Descriptio n.pdf?OpenElement) Accessed 1 April 2009.

humanitarian action in relation to contemporary global developments. The purpose of the course is “to give an introduction to humanitarian action by introducing the theoretical background to humanitarian action in relation to current global developments”.<sup>20</sup> An analysis of course feedback at the conclusion of ATHA courses (Sida, 2008f) found a high level of satisfaction among participants. Follow-up of previous course participants found that many were able to identify specific instances where they were able to apply some of the learning from the ATHA courses.

Sweden has supported the Sphere Project since its inception in 1997 and has sought to promote the *Sphere Humanitarian Charter and Minimum Standards in Disaster Response* (Sphere Project, 2004).<sup>21</sup> There is a requirement that CSO grant recipients will be aligned to the *Code of Conduct for the International Red Cross and Red Crescent Movement and NGOs in Disaster Relief* (IFRC, 1994). Consideration is also currently being given to making certification under the *Humanitarian Accountability and Quality Management Standard* (HAP, 2007) a mandatory requirement of CSO grants. If this occurs, it would not only provide assurances of accountability to recipients of humanitarian assistance, but would also advance Sweden’s GHD commitments in the area of beneficiary participation. These initiatives — along with Sida’s membership of the Active Learning Network for Accountability and Practice in Humanitarian Action (ALNAP) — are explicitly referenced in the *Guidelines for Grants to Non-government organisations for Humanitarian Projects* (Sida, 2007e) with a corresponding expectation that grant recipients share the goals and objectives when carrying out grant-funded activities.

### ***Civil-military co-operation***

Sweden’s humanitarian policy was adopted by the government and there is broad agreement in parliament on the principles enshrined within it — notably in relation to humanitarian-military relations. As noted earlier, this is reflected in the policies and strategies of the Swedish Armed Forces, which support principled co-operation between military and civil actors in the humanitarian sphere. At an operational level, while there are no formal dialogue or co-ordination mechanisms, MFA has frequent opportunity to promote humanitarian principles, including briefing Swedish military staff together with Sida and Folke Bernadotte Academy colleagues, prior to deployment overseas. There appears to be tacit agreement on the division of labour and responsibilities in these circumstances. Both the *Guidelines on The Use of Foreign Military and Civil Defence Assets in Disaster Relief* (OCHA, 2007) and the *Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies* (OCHA, 2003) are promoted by the MFA.

Swedish Armed Forces, civilian police and civilian agencies (including representatives of ICRC and UN humanitarian agencies) recently participated in a simulated peace support exercise, *Viking 08*. The aim of the simulation exercise was to contribute to “a much improved understanding of all different professional cultures, institutional mandates, policies, capabilities, operational procedures, and the strengths and

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Course details: *Introduction to Humanitarian Action*  
[http://www.sida.se/sida/jsp/sida.jsp?d=159&a=43574&language=en\\_US](http://www.sida.se/sida/jsp/sida.jsp?d=159&a=43574&language=en_US) , accessed 1 April 2009.

<sup>21</sup>

The Sphere Project has produced a handbook, a broad process of collaboration, and an expression of commitment to quality and accountability in humanitarian assistance. See [www.sphereproject.org](http://www.sphereproject.org) for further details.

limitations of this broad range of contributors in today’s peace operations”.<sup>22</sup> This exercise is currently being evaluated by the Swedish Armed Forces and, when available, Sweden is strongly encouraged to reflect on the lessons from this exercise and, where necessary, further refine the working relationship between humanitarian and military actors in accordance with the GHD commitments.

### *Swedish Civil Contingencies Agency (MSB)*

Financed under a framework agreement with Sida — to the tune of SEK 120 million or USD 18 million in 2008 — the Swedish Rescue Services Agency (SRSA) had a well established reputation for deploying logistics and other technical personnel to UN agencies operating in crisis zones.<sup>23</sup> From January 2009, SRSA has been replaced by the Swedish Civil Contingencies Agency (MSB), which has also assimilated the Swedish Emergency Management Agency, and the Swedish National Board of Psychological Defence. The new configuration under a single umbrella authority aims to strengthen Sweden’s onshore and offshore civil protection and emergency capacity by drawing on a larger pool of resources. This expansion is welcome, but continuing to locate MSB under the Ministry of Defence carries inherent risks to GHD principles regarding the primacy of civilian authority over international humanitarian action. Due diligence will be necessary to ensure that these are not compromised.

## **Learning and accountability**

Sweden is committed to providing the resources for the continuous improvement of Swedish and international humanitarian action through learning, targeted research and enhanced accountability. Annually, up to 1% of the humanitarian budget is allocated to the development of methods and humanitarian policy, as well as evaluations of humanitarian action. Currently, there is no specific strategy that directs allocation of this budget, although Sida’s Humanitarian Team drafted a concept paper, *Sida’s Evidenced-based Decision-making on Humanitarian Allocations* (Sida, 2008g), as the first step in adopting a more strategic approach. The concept paper proposes the objective “to directly influence the generation and use of evidence/quality management in humanitarian action through strategic financial support”. Sweden is encouraged to finalise this plan which will be of interest to other donors. In the meantime, support will continue to be provided for the development of a number of important international initiatives and institutions that aim to improve learning and accountability of international humanitarian action, including the OCHA Emergency Classification Project (ACE), Sphere Project, ALNAP, Humanitarian Accountability Partnership (HAP), Overseas Development Institute-Humanitarian Policy Group, Development Initiatives and the Feinstein International Center.

The purpose of collaborations with research institutions is to help link the academic sector with operational humanitarian agencies. Under the terms of the funding agreement, all institutions are required to present their research findings to Sida staff within the

<sup>22</sup> <http://www.mil.se/en/About-the-Armed-Forces/Exercises/Viking-08/Civilian-dimension/> Accessed 1<sup>st</sup> April 2009

<sup>23</sup> SRSA has existing partnership agreements with the WFP, OCHA and UNHCR. Sweden is also current chair of the International Humanitarian Partnership (IHP) – a collaborative effort to provide logistical support to UN agencies in sudden onset disasters.

framework of the so-called *Humanitarian Academy* – a learning initiative for Swedish humanitarian staff, other Sida staff and, in some cases, other interested parties. There is also scope for the new Sida staff network on Human Security to increase internal learning, once it is operational. In the future, Sweden proposes being more closely involved in framing the research questions for these institutions in order to identify priority issues for both the Swedish and broader global humanitarian systems.

Humanitarian evaluations are initiated by Sida officers and can be part of the broader corporate evaluation schedule. As with other Sida evaluations, humanitarian evaluations are subject to management responses and commissioning officers are responsible for ensuring that the findings and management response are implemented. However, in other respects humanitarian evaluations are treated as special cases within Sida's Evaluation Manual (Sida, 2007f). This stipulates that humanitarian evaluations are to be based on the five principal criteria applicable to all evaluations of development co-operation activities (effectiveness, impact, relevance, sustainability and efficiency) but that these should be augmented by four "sub-criteria" (appropriateness, coverage, connectedness and coherence) to fit the special conditions of humanitarian assistance. These nine criteria correspond to the DAC evaluation criteria and the DAC *Guidance for Evaluating Humanitarian Assistance in Complex Emergencies* (OECD, 1999) although it is generally understood that the "connectedness" criterion — that interventions should support longer term goals — substitutes for the "sustainability" criterion in humanitarian action (ALNAP, 2006).

## Human resources

Primary responsibility for development of humanitarian policy and oversight of Swedish humanitarian action rests with the Section for Humanitarian Policy and Conflict issues within the MFA's Department of Security Policy. This unit is therefore functionally separated from the rest of the international development co-operation system. There are challenges in this separation in terms of linkages between humanitarian and development assistance. However, co-location with political desks and close working with regional teams provides useful opportunities to promote humanitarian issues and for harmonising humanitarian advocacy. Comprising seven personnel, the Humanitarian Section also carries responsibility for conflict prevention and peace-building aspects of the foreign policy agenda. The staffing complement appears rather small bearing in mind the breadth of the humanitarian agenda and Sweden's aspirations to continue to play a strong leadership role in international humanitarian affairs — notably during the forthcoming tenure of the EU Presidency.

Humanitarian responsibilities within Sida are allocated to the Humanitarian Team. Fully staffed, the Humanitarian Team comprises 14 persons. There are also focal points for humanitarian issues in each country team who, in future, will be linked to the proposed Human Security Network. However, at the time of the field visit, there was no designated humanitarian focal point in the Mozambique country team. In the event of a sudden crisis in Mozambique, the humanitarian point of contact in Pretoria was expected to become the focal point for humanitarian response. The Humanitarian Team was re-located to the Department for Countries in Conflict and Post-Conflict in the recent Sida re-organisation (Figure 5, Chapter 4). Previously, humanitarian responsibilities were located within the Department for Cooperation with NGOs, Humanitarian Assistance and Conflict Management. The new location offers the opportunity to synergise Swedish humanitarian action with other forms of development co-operation, or identify areas

where humanitarian assistance might usefully transition to more developmental co-operation, in the cluster of crisis-affected countries. However, key elements of Sweden's humanitarian commitments will be delivered in countries in other categories — particularly countries prone to natural disasters and those where humanitarian action will comprise the lion's share of Swedish assistance in the absence of stable state structures (Category Four countries). In these cases, the Humanitarian Team will need to reach out to colleagues in other departments to monitor and advise on key humanitarian concerns. There is also one member of staff working full time in humanitarian policy under Sida's policy pillar.

### **Future considerations**

- Sweden's prominent role in the international humanitarian system — notably on GHD — is welcome and Sweden is encouraged to continue to play a leadership role. However, staffing levels, particularly within the MFA, may need to be supplemented in order to fulfil this important role.
- Sweden should adequately embed disaster risk reduction approaches in development co-operation strategies and better integrate cross-cutting policies, including gender and environment, within humanitarian action.
- Sweden is encouraged to identify suitable indicators for the forthcoming update of the humanitarian aid policy in order to monitor its implementation.
- Sweden should finalise its plan for learning, research and accountability in the humanitarian sector, which will be of interest to other donors.



## Annex D

### Field Visit Report from Mozambique

The peer review team, comprising examiners from Japan and the USA and members of the OECD Secretariat, visited Mozambique from 27 to 30 January 2009 as part of the peer review of Sweden's development co-operation. The team met with Swedish development co-operation officials and their main partners in Maputo – including government, civil society and other donors. This annex summarises the team's observations on the Swedish development co-operation programme in Mozambique.

#### Background

In the last decade, Mozambique has moved from endemic poverty and civil war to socio-political stability and sustained economic growth. Access to education has improved, infant mortality rates have fallen. Elections have also been successfully concluded at the presidential and municipal level without significant violence. The proportion of the population living below the national poverty line fell sharply from 69% in 1997 to 54% in 2003; the Government of Mozambique has ambitions to reduce this further to 45% by the end of 2009. Economic growth rates over the last five years are considered exemplary in the region, annual inflation rates are contained to one digit and the business environment has become more conducive to investment.

The impact of the strong record of economic growth (7.3% in 2007) has, however, been tempered since it is largely built on a few macro-projects. Many of the benefits and development gains are skewed, with the vast majority of Mozambicans — particularly those living in rural and peri-urban areas — remaining extremely poor and isolated from economic opportunity, continuing to lack access to basic services and exposed to adverse natural phenomena (floods, droughts, cyclones etc.) that periodically threaten to devastate the few livelihood assets they have been able to accumulate. The most recent poverty survey indicates that 74.1% of Mozambique's population lives on less than USD 2 per day (UNDP, 2007a). Further compounding the challenge of eradicating poverty, Mozambique has one of the highest HIV/AIDS prevalence rates in the world, at 16%, and even higher in some central regions (UNDP, 2007a). This contributes to one of the lowest life expectancy rates in the world (42.8 years). Consequently, Mozambique ranked among the least developed countries in the world at 175<sup>th</sup> out of 179 countries surveyed in the 2008 *UNDP Human Development Report*.

These complex conditions provide the backdrop to Mozambique's poverty reduction strategy, *Action Plan for the Reduction of Absolute Poverty 2006-2009* (PARPA 2). The strategy builds on the achievements of the earlier phase (PARPA 1), with which it shares the same priorities — human capital development through education and health, improved governance, development of basic infrastructure and agriculture, rural development, and better macroeconomic and financial management. But it expands the

scope to include greater integration of the national economy and an increase in productivity. Derived from the government's *Five-Year Development Plan*, PARPA 2 defines an ambitious programme of public sector reform and service delivery based on the three pillars of governance, human capital and economic development. These pillars aim to build the nation and consolidate national unity, develop human potential, create a functioning institutional system and increase the ability to create national wealth.

Mozambique is heavily reliant on external assistance to create the conditions that are conducive to poverty reduction. Since the 1990s Mozambique has attracted a vibrant community of donors (currently 49). In 2007, an estimated 54% of the national budget was derived from international assistance. The high level of aid poses a significant challenge to the government in co-ordinating assistance. PARPA 2 notes that "owing to the extent of poverty in Mozambique, reducing it challenges both the State and the elements of civil society, and the cooperation partners, to dedicate their efforts. It is vital that there be clear dividing lines between the functions of each of these parties so that coordination and alignment among all of them can be more effective and efficient. It is the responsibility of the Government of Mozambique to coordinate these activities". Despite the fact that donors have established an extensive and complex donor co-ordination system, full harmonisation remains a problem (Box 14) and the large number of donors present makes coordination challenging for the Government of Mozambique. The government has therefore attempted to introduce a code of conduct to apply to all donors, and Sweden has been a strong supporter of this initiative. However, the code of conduct has yet to be finalised.

#### **Box 14. Donor co-ordination in Mozambique**

Donor commitments to aid harmonisation in Mozambique may have been compromised since the Development Partners Group (DPG) — the principal donor dialogue group — appears to have been relegated to an information-sharing role. Instead another forum, which includes only donors contributing to budget support, has taken on the more active function. This second forum is comprised of the 19 donors (the G19) which provide general budget support (GBS) to the Government of Mozambique based on a common memorandum of understanding, a mutual commitments framework between the government and donors and a performance assessment framework. The GBS mechanism, which is overseen by a joint steering committee and a complex system of joint working groups and sub-groups,<sup>24</sup> provides a vehicle for policy and operational coherence between the participating donors and the Government of Mozambique. From a co-ordination perspective, however, a number of key donors, including the biggest bilateral donor present in Mozambique, are excluded from the more substantive dialogues that occur under the GBS mechanism. Furthermore, this partnership between Mozambique and its bilateral partners represents an important learning opportunity for the broader international community about the benefits and pitfalls of GBS. In this light, Sweden is commended for its attempts to identify more inclusive mechanisms for dialogue, to promote a code of conduct and assessment framework for all donors and other efforts to harmonise the approaches of the DPG and G19 towards PARPA 2 objectives

<sup>24</sup>

At the time of the field visit there were 69 active working groups and sub-working groups.

## Strategic directions of Swedish development co-operation in Mozambique

### *A partnership built on a long history of engagement and mutual respect*

Sweden has been a long-term, bilateral partner of Mozambique. Development co-operation began shortly after independence in June 1975, traversed the difficult years of civil war and has flourished during the post-conflict period into a fully fledged bilateral commitment totalling SEK 715 million (USD 92 million) in 2007. Sweden's strong support for liberation movements in southern Africa, including Mozambique, also bolstered its credibility as a reliable and trustworthy partner. Sweden's approach is built on genuine collaboration and partnership, which provides a solid platform for dialogue on successive development co-operation strategies. Nevertheless, the consistency of past support also gives rise to concern in some quarters when, as with the new co-operation strategy, Sweden proposes to re-orientate its support. The peer review team, therefore, strongly encourages Sweden to ensure that its intentions regarding focal areas for the future and phasing out of certain sectors are clearly communicated to all stakeholders.

Mozambique has been classified as a Category One (long-term development) partner under the new classification system and thus occupies a privileged position that provides access to the full range of modalities within the Swedish development co-operation system. The challenge for the country team has been to identify a forward programme that conforms to both sets of policy prescriptions — from Sida headquarters and the partner government — at the same time as allowing for an appropriate phase-out from some sectors and giving consideration to what other donors are planning. This process was protracted and complicated by the change of government in Sweden and late finalisation of an overarching aid policy by the Government of Mozambique, but it eventually culminated in the launch of *Strategy for Development Co-operation with Mozambique 2008-2012* in September 2008.

This co-operation strategy translates the goals and priorities defined in *Shared Responsibility: Sweden's Policy for Global Development* (MFA, 2003) into the Mozambican context. In particular, the two perspectives advocated by the *Policy for Global Development* — the rights perspective and the perspective of poor people on development — are explicitly embedded in the strategic goal. The perspectives, and how to incorporate them, are assessed before decisions are taken on new allocations or continued support to existing programmes and documented in assessment memos.

The key elements of the strategy are budget support for implementation of PARPA 2 and three sectoral priorities: democratic governance, agriculture and energy. A research co-operation programme will be continued, even though it is not clear how this intersects with other sectoral priorities. In addition, the strategy identifies three issues for strategic dialogue in fora with the Government of Mozambique and other stakeholders (i) democratic and efficient governance, including fighting corruption; (ii) increased respect for human rights focusing on participation, openness, accountability and non-discrimination; and (iii) increased climate change adaptation by society. While these issues, which align with Sweden's global thematic priorities, are intended to complement financial support, the peer review team was not convinced that a robust linkage yet existed in practice between the areas for financial co-operation and the issues for strategic dialogue (Box 15).<sup>25</sup> Moreover, there are some concerns that the requirement for

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Following the mission to Mozambique, the Swedish Embassy advised that “terms of reference for a Dialogue (and Communication) Strategy ... will be developed during the first part of 2009 with support

accountability to donors has diluted the Government of Mozambique's accountability to its own people. Sweden has sought to address these concerns through programmes to strengthen civil society and parliament as domestic accountability instruments.

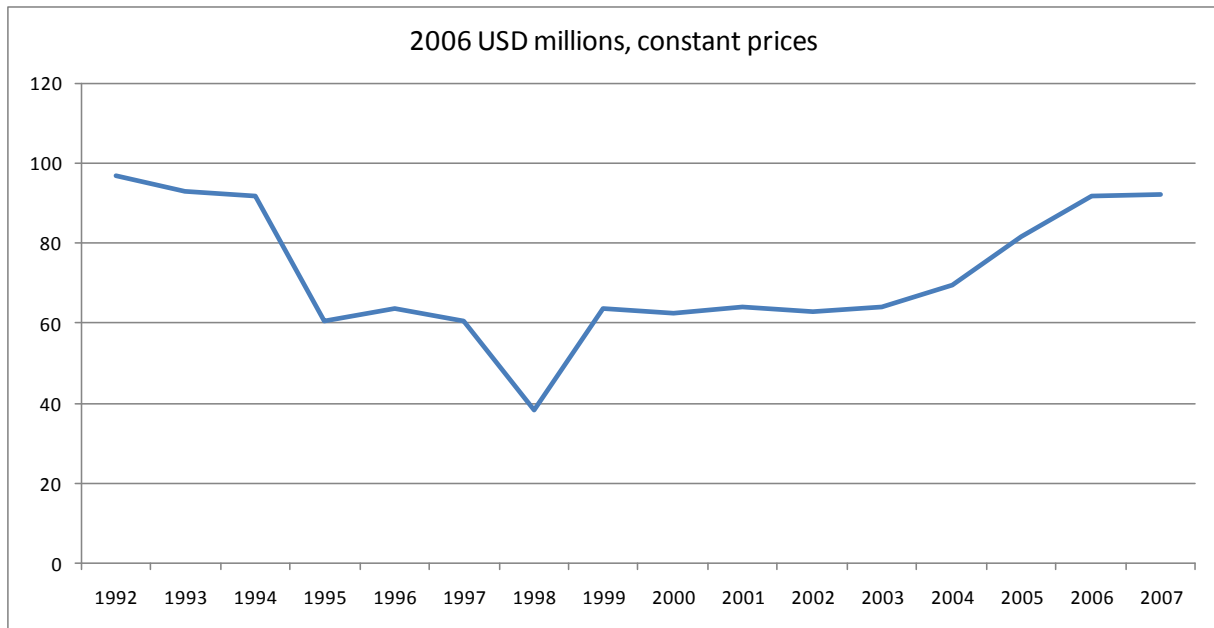
**Box 15. Swedish Development Co-operation strategy with Mozambique 2008-2012: links between strategic dialogue issues and areas of co-operation**

<u>Sweden's global thematic priorities</u>	<u>Issues for strategic dialogue with GoM</u>	<u>Sectoral support</u>	<u>Budget support (to PARPA 2)</u>
<ul style="list-style-type: none"> <li>• Democracy and human rights</li> <li>• Gender equality and role of women in development</li> <li>• Environment and climate</li> </ul>	<ul style="list-style-type: none"> <li>• Democratic and efficient governance, including fighting corruption.</li> <li>• Increased respect for human rights focusing on participation, openness, accountability and non-discrimination (including the situation of women and girls).</li> <li>• Increased climate change adaptation in society.</li> </ul>	<ul style="list-style-type: none"> <li>• Democratic governance</li> <li>• Agriculture</li> <li>• Energy</li> <li>• Research co-operation</li> <li>• Humanitarian relief and recovery (as required)</li> </ul>	<p><i>Pillars:</i></p> <ul style="list-style-type: none"> <li>• Governance</li> <li>• Human capital</li> <li>• Economic development</li> </ul> <p><i>Cross-cutting themes:</i></p> <ul style="list-style-type: none"> <li>• Gender</li> <li>• HIV/AIDS</li> <li>• Environment</li> <li>• Food and nutritional security</li> <li>• Science and technology</li> <li>• Reduction in impact of natural disasters</li> <li>• Rural development</li> <li>• De-mining</li> </ul>

**Aid volume and allocations: A significant donor with an important leadership role**

In 2007, Swedish support totalled SEK 715 million (USD 92 million in 2006 constant prices) making Mozambique the second largest recipient of Swedish aid and making Sweden the sixth largest donor in Mozambique. These volumes continue an upward trend in Swedish disbursements to Mozambique over the last five years (Figure 10). Furthermore, Swedish commitments are scheduled to continue to reach SEK 750 million (USD 112 million) per year for the duration of the co-operation strategy (excluding support to the country through regional and humanitarian funding envelopes).

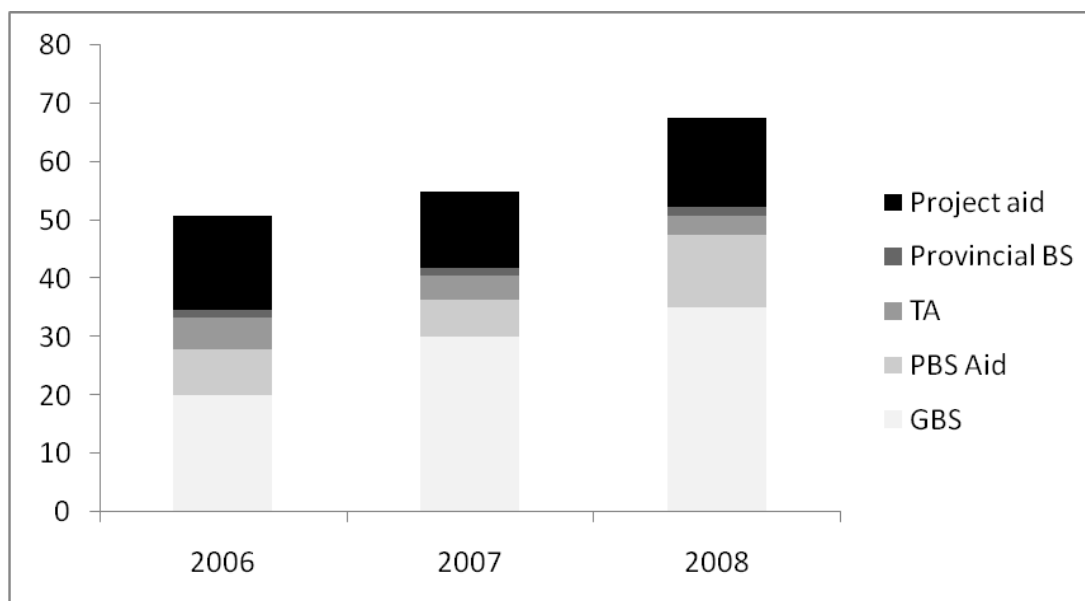
from the Communication Team at Sida-Stockholm. This strategy will provide clear guidance on exact themes, expected results and forum for dialogue”

**Figure 10. Swedish ODA net disbursements to Mozambique 1992-2007**

Source: OECD/DAC International Development Statistics

While this assistance will, in future, be focused on three thematic areas, the current portfolio is dispersed and includes sectoral support for agriculture, higher education, HIV/AIDS, private sector development and roads, as well as the multi-sectoral programme in Niassa Province. Assistance for research institutions and regional initiatives (particularly in the water resource management sector), as well as needs-based humanitarian assistance during crises, further increases the apparent dispersion of Swedish assistance to Mozambique. However, this dispersion will decrease over the duration of the co-operation strategy as support to non-core sectors is progressively phased out. Sectoral assistance is, at least in part, channelled through sectoral budget support mechanisms along with a significant tranche (43% of total ODA) of undirected general budget support (Figure 11).

This level of support provides Sweden with considerable leverage within the donor community and the peer review team heard of several examples where Sweden has used its influence to provide leadership to the international donor community in Maputo. It is also clear that the Government of Mozambique considers Sweden to be an understanding partner and important advocate of its priorities, as evidenced by the collaboration in developing the draft code of conduct for donors to underpin the proposed Mozambican aid policy (Box 14).

**Figure 11. Swedish ODA gross disbursements to Mozambique by sector 2005-2007**

Source: OECD/DAC International Development Statistics

Sweden is one of only four donors in Mozambique to use both a fixed and variable tranche in its GBS. Sweden's 25% variable tranche can be unilaterally withheld if it deems progress against 18 key indicators – drawn from Mozambique's Performance Assessment Framework - unsatisfactory. In August 2008, for example, Sweden decided to withhold USD3.3 million of its GBS, ostensibly due to lack of progress in tackling corruption. This arrangement stems from the complex challenge of simultaneously ensuring predictability of support, fostering national ownership and providing suitable incentives for key results. It is also used to provide assurance to the Swedish public that GBS is used advisedly. MFA guidelines identify five fundamental pre-requisites for the provision of budget support (Chapter 4) and stipulate that budget support agreements should be designed to enable "a proportionate response to the results achieved" (MFA, 2008h). The variable tranche component is intended to act as an incentive but the MFA guidelines also acknowledge that any decision to withhold disbursements should include "a qualitative assessment of the underlying causes why certain results were achieved or not achieved" (MFA, 2008h). Communicating clearly how these different sets of conditions — which Sweden sees as central to its own domestic accountability — will be applied in Mozambique and why decisions are made to cut planned disbursements, will be important for predictability and mutual accountability.

### Implementation and aid effectiveness

Sweden has championed aid effectiveness and has endeavoured to incorporate the principles of the Paris Declaration and more recently the Accra Action Agenda into its own systems and practices in Mozambique. Sweden's global commitments to aid effectiveness are unambiguously incorporated into the *Strategy for Development Co-operation with Mozambique 2008-2012* (Box 15). The Government of Mozambique considers Sweden to be a collaborative and co-operative partner in PARPA 2 and the

government's Five-Year Plan, but indicated that it would welcome further discussion on the areas where Sweden proposes to phase out — particularly with respect to timing. Sweden also works jointly with other donors, not only through its programmatic support, but also in some of its projects in the energy and infrastructure sectors.

### ***Policy coherence***

In accordance with the MFA's guidelines, the *Strategy for Development Co-operation with Mozambique 2008-2012* contains an analysis of the other areas of Swedish co-operation in Mozambique. In practice, these interests are rather limited and coverage of the analysis in the strategy also appears limited. However, the strategy does note that some opportunities have opened up for commercial co-operation — notably in the bio-energy and forestry sectors. For the most part, however, bilateral dialogue focuses on development co-operation issues. As noted above, these include strategic dialogue issues that Sweden has identified as important foreign policy objectives, as well as the foundation for dialogue on Sweden's general budget support and sectoral assistance. The co-operation strategy also flags a potential role for Swedfund as a future investor, although little consideration appears to have been given so far as to where this might be applicable, or how the country team can help to make this happen.

### ***Not yet "Team Sweden"***

The central tenet of the *Policy for Global Development* has been the location of the aid programme within a broader co-operation framework that harnesses expertise and instruments beyond the development co-operation domain. To date, it appears that the approaches characterised by the "Team Sweden" concept (see Chapter 2) have only partially taken root in Mozambique. We acknowledge that the development co-operation strategy forms the lion's share of Sweden's engagement in Mozambique — with minimal presence by other parts of Swedish government and Swedish private sector — and also that the "Team Sweden" concept is rather new. However, the Embassy may need to take further steps to link activities and to build a sense of common purpose among all Swedish stakeholders involved in Mozambique. In this regard the Swedish National Financial Management Authority's (ESV) decision to withdraw from the institutional co-operation programme with the Inspector General of Finance indicates that not all agencies have yet fully absorbed the policy's laudable aims.

### ***Capacity development***

Weak Mozambican capacity at independence was compounded by the protracted conflict that inhibited the emergence of functional institutions and local capacities. Consequently depleted human and institutional capital has constrained development and progress in the post-war period. Capacity development has been an important aspect of Swedish development co-operation in Mozambique. Sweden's portfolio includes specific projects to support government capacity, for example in state audit and in the government electricity company; as well as additional sector support (agriculture), where it has identified a critical need to continue capacity development. It also supports — though on a smaller scale — capacity building of civil society, universities and private sector organisations. Sweden has supported capacity development initiatives in some organisations for decades. Notwithstanding the low base for Mozambican capacity inherited from the colonial and conflict years, this raises concerns about whether

sustainable capacity is really being built, and whether objectives and exit strategies are clear. In some cases, Sweden is changing the way it supports capacity development, moving from traditional technical assistance or twinning arrangements to pooled funding in order to support an organisation's own capacity development plan. With pooled funding mechanisms, the organisation itself develops clear objectives for what it expects to achieve and how (for example see Box 8, Chapter 6).

### ***Humanitarian action: A reactive model***

Mozambique is extremely prone to hydro-meteorological disasters — annual flooding of river basins, cyclonic activity and periodic drought — that are somewhat predictable in their occurrence and severity. In the past three decades Mozambique has suffered from 35 hydro-meteorological disasters, affecting nearly 16 million people; and the frequency of these events is rising (OCHA, 2008). The Government of Mozambique has pledged to meet up to 10% of the costs of providing humanitarian relief and recovery assistance in the event of a disaster. Donors (including Sweden) are partly under-writing this commitment through general budget support. Nevertheless, Mozambican disaster response mechanisms are often overwhelmed, and authorities, principally through the National Institute for Disaster Management, usually seek external assistance to supplement these efforts. In these circumstances, Sweden is seen as a responsive member of the international humanitarian community and an active participant in disaster risk management fora. Interestingly, Sweden has pledged to channel support through state budgets, “[f]inancing of possible humanitarian relief and recovery efforts should therefore be channeled through the state budget as far as possible” (MFA, 2008b).

However, the impact of these crises is accentuated by structural hazards such as endemic poverty, marginalisation and environmental stresses (including climate change) that increase the vulnerability of large segments of the population when disasters do occur. Disaster risk reduction (DRR) approaches aim to protect development gains through proactive prevention and mitigation interventions. The Government of Mozambique, through the National Institute for Disaster Management (INGC) has formulated ambitious plans to address the chronic vulnerability of communities living in disaster-prone areas of the country. Plans include voluntary resettlement, supporting alternative livelihoods etc. However, although Sweden has committed to integrate DRR perspectives into programmes in crisis-prone countries,<sup>26</sup> Sweden (like most other donors) has not committed to direct support for these plans, nor is there evidence that these DRR approaches have had an impact on design or implementation of activities in Mozambique.

## **Organisational reform within the Swedish development co-operation system in Mozambique**

The Mozambique programme is one of the new generation of country teams within the Swedish development co-operation system for which managerial responsibilities have been fully devolved to the field. The Ambassador has delegated authority for all aspects of the Sida programme — with the exception of financial delegation for GBS and commitments in excess of SEK50 million (USD 7.5 million), which are referred to headquarters. In effect, the Ambassador has two lines of reporting (to MFA and Sida), although this is not deemed to compromise either responsibility given the close

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For example, the *Principles and Good Practices of Humanitarian Donorship* and *Hyogo Framework for Action*.

relationship between the two organisations. In any case, the Ambassador delegates financial authority to the Head of Development Co-operation, who is a Sida employee.

Responsibility for all aspects of day-to-day operations of Swedish development co-operation is also assigned to the Head of Development Co-operation. He manages a team of 8 expatriate and 5.7 local staff in Maputo as well as 2.4 Stockholm-based staff. In addition, one expatriate officer and one national programme officer are based at the Embassy, working on the regional water resources management programme. These officers participate in some of the joint Embassy activities, but since October 2008, they have reported to the team in Nairobi. While the impact of managing headquarters-based staff from a remote location remains untested, the new configuration of responsibilities appears to be well embedded. However, the staff networks, which will be important for making Sida's new structure work, were not yet active and there was limited understanding about what role the networks would play in practice.

The flurry of reform, the re-launch of the *Policy for Global Development*, and the structural reforms within Sida and MFA are significant changes that are likely to continue for some time yet. Responsibility for steering the country team through this process primarily rests with the Ambassador and the Head of Development Co-operation in Maputo. The peer review team was impressed by the commitment of staff based in Mozambique and their willingness to absorb these adjustments. However, it is clear that a number of uncertainties persist and support and guidance from headquarters will be critical to shore-up commitments. Notably, staff appear to be struggling with a plethora of policies and strategies without a strong sense of their relative hierarchy; and frontline (primarily local) staff are wrestling with the challenge of explaining the intent behind the reforms to Mozambican counterparts.

### ***Results-based management: A looming challenge***

During the visit to Stockholm, the government highlighted that managing for results will be important to maintain the high quality of Swedish assistance, but also to shore up public support for development co-operation in an environment of economic stress. The country team in Mozambique is acutely aware of the importance of results-based management and has taken initial steps to build a supportive environment. A special training programme for Embassy staff on results-based management, joint development of the results matrix for the co-operation strategy and operational planning, have all served to raise awareness. Nevertheless, building a results-oriented culture takes time and understanding of results-based management practices is still rudimentary among some staff. Further efforts will be required to build on this beginning to foster a culture of results and to ensure that existing monitoring and evaluation systems are adapted to support the emerging emphasis on results-based reporting of achievements.



## Description of Key Terms

*The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information.<sup>27</sup>*

**ASSOCIATED FINANCING:** The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

**AVERAGE COUNTRY EFFORT:** The unweighted average ODA/GNI ratio of DAC members, *i.e.* the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

**DAC (DEVELOPMENT ASSISTANCE COMMITTEE):** The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of this volume.

**DAC LIST OF ODA RECIPIENTS:** The DAC uses a List of ODA Recipients which it revises every three years. From 1 January 2005, the List is presented in the following categories (the word "countries" includes territories):

**LDCs:** Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

**Other LICs:** Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

**LMICs:** Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

**UMICs:** Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

**DEBT REORGANISATION (ALSO RESTRUCTURING):** Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, or rescheduling or refinancing.

**Direct INVESTMENT:** Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA Recipients. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

**DISBURSEMENT:** The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements may be recorded **gross** (the total

27. For a full description of these terms, see the *Development Co-operation Report 2007*, Volume 9, No. 1.

amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of loan principal or recoveries of grants received during the same period).

**EXPORT CREDITS:** Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

**GRANTS:** Transfers made in cash, goods or services for which no repayment is required.

**GRANT ELEMENT:** Reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two limits for a loan at less than 10% interest.

**LOANS:** Transfers for which repayment is required. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

**OFFICIAL DEVELOPMENT ASSISTANCE (ODA):** Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies active that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

**ODA/GNI RATIO:** To compare members' ODA efforts, it is useful to show them as a share of gross national income (GNI). "Total DAC" ODA/GNI is the sum of members' ODA divided by the sum of the GNI, *i.e.* the weighted ODA/GNI ratio of DAC members (*cf.* Average country effort).

**OTHER OFFICIAL FLOWS (OOF):** Developmentally relevant transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance.

**TECHNICAL CO-OPERATION:** Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

**TIED AID:** Official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries.

**VOLUME (real terms):** The flow data are expressed in United States dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.

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**The Development Assistance Committee welcomes your  
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**Please contact us**

**by email at [dac.contact@oecd.org](mailto:dac.contact@oecd.org)**

**or by mail at:**

**Organisation for Economic Co-operation and Development  
Development Co-operation Directorate  
Communications and Management Support Unit  
2, rue André-Pascal  
75775 Paris Cedex 16  
France**

**<http://www.oecd.org/dac>**