

DAC Peer Review

SWEDEN

Development Assistance Committee



ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.



This work is published on the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of the Organisation or of the governments of its member countries.

Also available in French under the title:

Examen du CAD par les pairs Suède

© OECD (2005)

No reproduction, copy, transmission or translation of this publication may be made without written permission. Applications should be sent to OECD Publishing: rights@oecd.org or by fax (+33-1) 45 24 13 91. Permission to photocopy a portion of this work should be addressed to the Centre Français d'exploitation du droit de Copie, 20 rue des Grands-Augustins, 75006 Paris, France (contact@cfcopies.com).

The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and efforts of each member are critically examined approximately once every four years. Five or six programmes are examined annually. The OECD's Development Co-operation Directorate (DCD) 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 the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination. A recent innovation is to organise "joint assessments", in which the activities of several members are reviewed in a single field mission.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions posed by DAC members led by the examiners. These questions are 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 Australia and Belgium for the Peer Review on 25 May 2005.

*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.

LIST OF ACRONYMS

ALNAP	Active learning network for accountability and performance in humanitarian action
CAP	Common agricultural policy
DAC	Development Assistance Committee
DDR	Disarmament, demobilisation and reintegration
EC	European Community
EU	European Union
ERS	Economic Recovery Strategy for Wealth and Employment
GHD	Principles and Good Practice of Humanitarian Donorship
GNI	Gross national income
GOK	Government of Kenya
H&A	Harmonisation and Alignment
HAC	Harmonisation, Alignment and Co-ordination
ICRC	International Committee of the Red Cross
IFRC	International Federation of Red Cross and Red Crescent Societies
IMF	International Monetary Fund
MDGs	Millennium Development Goals
MFA	Ministry for foreign affairs
MOD	Ministry of Defence
MOF	Ministry of Finance
NGO	Non-governmental organisation
NPOs	National programme officers
ODA	Official development assistance
PGD	Policy for global development
PRSPs	Poverty Reduction Strategy Papers
PRSS	Poverty reduction strategies
PSD	Private sector development
SEKA*	Department for co-operation with NGOs, Humanitarian assistance and conflict management
Sida	Swedish international development cooperation agency
SRSA	Swedish rescue services agency
UN	United Nations
UNAIDS	The joint United Nations programme on HIV/AIDS
UN-CAP	United Nations consolidated appeals process
UNDP	United Nations development programme
UNFPA	United Nations population fund

UNHCR	United Nations High Commissioner for refugees
UNICEF	United Nations Children's fund
UN-OCHA	United Nations office for the coordination of humanitarian affairs
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East

* Acronym in original language

Signs used:

EUR	Euro
SEK	Swedish Kronor
USD	Dollar

- () 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

Annual average exchange rate (SEK per USD)

2000	2001	2002	2003	2004
9.1606	10.3384	9.7210	8.0781	7.3460

Sweden's Aid at a glance

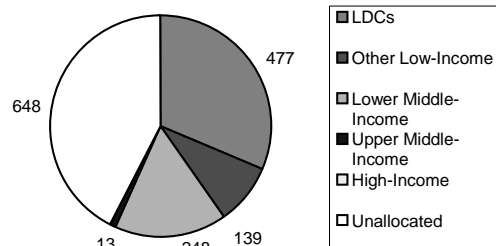
SWEDEN

Gross Bilateral ODA, 2002-03 average, unless otherwise shown

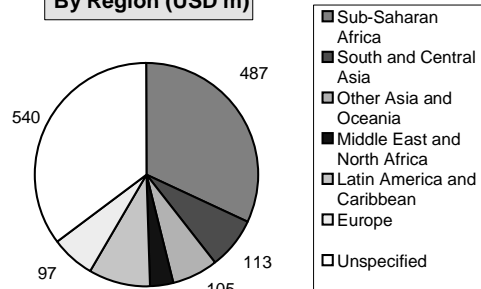
Net ODA	2002	2003	Change 2002/03
Current (USD m)	2 012	2 400	19.3%
Constant (2002 USD m)	2 012	1 955	-2.8%
In Swedish Kronor (million)	19 554	19 388	-0.8%
ODA/GNI	0.84%	0.79%	
Bilateral share	63%	74%	
Net Official Aid (OA)			
Current (USD m)	107	127	18.9%

Top Ten Recipients of Gross ODA/OA (USD million)	
1 Congo, Dem. Rep.	89
2 Tanzania	64
3 Mozambique	51
4 Nicaragua	37
5 Russia (OA)	36
6 Afghanistan	35
7 Palestinian Adm. Areas	32
8 Bosnia and Herzegovina	31
9 Serbia & Montenegro	30
10 Uganda	28

By Income Group (USD m)



By Region (USD m)



By Sector

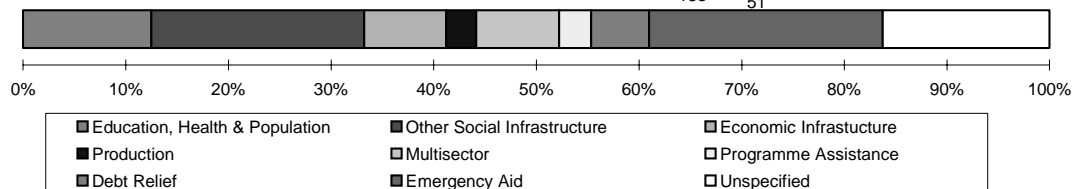


TABLE OF CONTENTS

DAC's Main Findings and Recommendations	11
Secretariat Report	18

Chapter 1

Strategic Context and New Orientations

Strategic context of Swedish development co-operation	18
A tradition of leadership in development co-operation	18
A significantly centralised national development co-operation system	18
Noticed by the DAC: the new Policy for Global Development (PGD)	19
Ambitious new parliamentary policy guidelines	19
The shape of PGD	20
Critical issues of PGD implementation	22
Overall progress since the 2000 Peer Review	22
Public awareness	23
The status of public and political support for development co-operation	23
Public awareness building	23
Future considerations	24

Chapter 2

Aid Volume, Channels and Distribution

A visible and slowly growing ODA	25
The bilateral channel: policies and allocations	26
Geographic allocations	26
Sector distributions	27
The special role of Swedish NGOs	27
The multilateral channel	28
The overall trend towards multilateralism	28
Allocations	28
Future considerations	30

Chapter 3

Sector Priorities and Special Themes

Parliamentary guidance on the shape of sector priorities	31
Poverty reduction and the MDGs	31
Sector priorities	32
Special themes	33
The private sector	33
HIV/AIDS	35
Humanitarian aid and conflict prevention	36

Future considerations	37
-----------------------------	----

Chapter 4

Policy Coherence for Development

Sweden's role in the growing consensus on policy coherence for development	39
The growing consensus	39
Sweden's traditionally strong role	39
Potential issues regarding policy coherence for development	41
Arms Exports	41
Migration	42
Untying	43
Promoting further policy coherence for development in Sweden	43
Institutional mechanisms	44
Analysis	44
Public awareness	45
Future considerations	45

Chapter 5

Organisation and Management

Organisation	47
The logic of today's aid organisation	47
Different locations for political leadership and for development expertise	48
Co-ordination among national actors	50
Management	50
A management philosophy based on leadership and quality control	50
Management of strategy and programming	50
Management of monitoring and evaluation	52
Personnel management	54
Future considerations	54

Chapter 6

Field Operations

A broader field context	56
Sweden's regional approach	57
A regional strategy for Lake Victoria Basin	57
The regional strategy for the Great Lakes and an assessment of Swedish support to Burundi	57
Sweden's bilateral approach in Kenya	59
A locally designed strategy	59
Making strategy more operational	60
Field organisation	62
Organising around multiple objectives	62
Integrating Sida and local staff into the embassy	63
Country implementation	64
Aid modalities, present and future	64
Innovations in internal operations	65
Monitoring and evaluation – process vs. impact	66
The special issue of harmonisation and aid effectiveness	66
A context of Swedish activism	66
From harmonisation to alignment?	67

Future considerations	68
-----------------------------	----

List of Annexes

Annex A The 2000 DAC Peer Review and Sweden's Achievements.....	69
Annex B OECD/DAC Standard Suite of Tables	70
Annex C The Organisation of the Ministry for Foreign Affairs.....	77
Annex D Ministry of Finance	78
Annex E Swedish Support to Humanitarian Action	79
Annex F Progress in Implementing the Rome Agenda	87
Press Release of the DAC Peer Review of Sweden.....	92
Description of Key Terms	93
Bibliography	95

List of Tables

Table 1. Sweden's contributions to UN agencies in 2003.....	29
Table 2. Sida's sector disbursements in 2003	33
Table B.1. Total financial flow	70
Table B.2. ODA by main categories	71
Table B.3. Bilateral ODA allocable by region and income group	72
Table B.4. Main recipients of bilateral ODA.....	73
Table B.5. Bilateral ODA by major purposes	74
Table B.6. Comparative aid performance	75

Chart and Figures

Figure 1. Key Actors in Sweden's Development Co-operation System.....	19
Figure 2. ODA as percentage of GNI.....	25
Figure 3. Organisation of the MFA Department of Global Development	48
Figure 4. Sida	49
Figure 5. Development Co-operation in the Embassy of Sweden Nairobi	62
Graph B.1. Net ODA from DAC countries in 2003.....	76

List of Boxes

Box 1. Broadening the responsibility for development – the rationale of the PGD.....	20
Box 2. Parliament's attempt to target coherence of global development.....	21
Box 3. Inventory of "long-term and substantial" recipient countries	26
Box 4. Parliamentary interest in the International Financial Institutions.....	29
Box 5. "The Chance of a Lifetime"	31
Box 6. Supporting the private sector in Kenya	34
Box 7. HIV/AIDS in Kenya	35
Box 8. Policy coherence within the European Union	40
Box 9. "Nordic Plus" and aid untying.....	43
Box 10. Annual reporting on Sweden's policy coherence	45
Box 11. Sida's strengthened field orientation.....	47
Box 12. The potential for confusion between MFA and Sida.....	51
Box 13. Delegated partnerships - how do they do it?	53
Box 14. Burundi field visit – Assisting a fragile state in a fragile region.....	58

Box 15. Sida's focus on corruption.....	59
Box 16. Kenya field visit – A growing development co-operation partner	61
Box 17. Sweden's role in governance in Kenya	64
Box 18. Responding to the 2004 Indian Ocean Tsunami.....	81

DAC'S MAIN FINDINGS AND RECOMMENDATIONS

General framework and current directions

A tradition of leadership in development co-operation

Sweden is often perceived as a respected donor, both with regard to its generous Official Development Assistance (ODA) levels and to its innovative development co-operation policies and procedures. Sweden is seen in the developing world as a committed partner. This reputation has permitted it to play a role well beyond the ODA volumes that it can provide. Its decentralised operations in the field help to maintain a strong presence among local partners and allow it to actively pursue issues of development collaboration at that level.

Sweden has responded to most main Development Assistance Committee (DAC) recommendations of the last Peer Review in 2000. Its reform agenda has been primarily driven by a major new **Policy for Global Development** (PGD), which was endorsed by parliament in December 2003. The PGD framework directly supports a national commitment to allocate 1% of its Gross National Income (GNI) to ODA, it unambiguously focuses on poverty reduction as Sweden's overarching development co-operation goal and it prescribes a whole-of-government approach to "equitable and sustainable global development". Of special operational interest is the PGD requirement to provide parliament with annual reporting on the status of its implementation.

The critical issue of PGD implementation

PGD contains an innovative and ambitious agenda for action. Sweden is the first DAC donor to adopt and actively implement such a comprehensive development approach and, consequently, PGD is of particular interest to the DAC and its members. With PGD just beginning its second year, authorities are increasingly aware of the operational challenges of implementing the approach. Initial issues now being addressed include the need to obtain whole-of-government ownership of the policy, and operational targets that can be evaluated and subsequently reported annually to parliament need to be specified. While the PGD mandate is clear and has high-level political support, much remains to be done to implement its policies and intentions, whether at headquarters or in the field.

Seeking public and political support

Sweden's long-standing public interest in the developing world has traditionally generated similar support at the political level and has facilitated the evolution of a strong programme of national development co-operation. Public support can fluctuate following newsworthy events, however, ranging from the 2004 Indian Ocean Tsunami which has heightened public support, to press allegations of developing world corruption which have detracted from it. To foster long-term public support for the greater priority now given to global development, Swedish authorities have launched a major campaign built around the Millennium Development Goals (MDGs) which refers to PGD as a policy based on the MDGs and underscores the importance of a broad-based Swedish effort to reach

them. As with other DAC member countries, the Swedish public expects to receive credible feedback on the results being obtained by its national aid programmes.

The new national Forum for Global Development could also be a key instrument in fostering public and political support for developing-world issues while offering an opportunity for dialogue and partnership among the different development actors in Swedish society. The utility of this Forum, which is a PGD requirement, will ultimately depend upon high-level support for it and the extent to which it is viewed by participants as influential and inclusive.

Recommendations

- Sweden is encouraged to share its experience in **implementing** the Policy for Global Development with the DAC members, especially the special role played by parliament and operational approaches which encourage whole-of-government ownership of the global agenda.
- The higher priority now sought for developing-world issues will require major **public and political support**. The Forum for Global Development is one innovation which will require high-level government attention and support for it to be implemented. Another will be the government's ability to report back to the Swedish public on its international achievements, including the MDGs.

Aid volume and distribution

Promising ODA trends but persistent issues of strategic allocation

Sweden has traditionally been one of the world's most generous donors. Its ODA/GNI levels declined somewhat over the latter half of the 1990s, but returned to 0.79% by 2003. Consistent with the PGD (and the encouragement of the 2000 Peer Review), this ratio is expected to reach 1.0% in 2006. The PGD also mandates the government to work within the context of the European Union and the OECD to promote ODA growth among other donors. Sweden's effort to increase the size of its ODA is even more remarkable as it takes place against a backdrop of national budget austerity.

Consistent with the PGD poverty reduction objective, least developed or other low-income countries are the target of some three-quarters of Sweden's allocable bilateral aid, over one-half of which is assigned to Africa. However, a tendency noted in the 2000 Peer Review to disperse ODA **geographically** still persists; consequently this reduces funds and administrative resources for the more strategically selected, long-term recipients. The Swedish International Development Cooperation Agency (Sida) is now reviewing a possible set of criteria for prioritisation of long-term countries and currently lists some 30 "long-term and substantial" recipients of its programmes. Similarly, the wide range of sometimes overlapping **sector** priorities has implications for implementation focus and effectiveness. The Ministry for Foreign Affairs (MFA), which is interested in maintaining the Swedish presence abroad, prefers to spread ODA resources across many countries, but is receptive to limiting the number of sectors of involvement. For the moment, the growing size of Swedish ODA has lessened the pressure to address programme priorities. With the advent of PGD it should now be possible to establish a clearer policy on setting priorities. Greater geographic and sector selectivity will support both more efficient development aid delivery and better international collaboration around the MDGs.

A feature of Swedish development co-operation is its special reliance (18% of bilateral ODA) on non-governmental organisations (NGOs). The new Policy for Global Development promotes even greater collaboration with these organisations. Given the importance attributed to this group by national policy, Sweden could reflect upon and update, as appropriate, the range of its actions and procedures in relation to NGOs. Already, Sida has begun to intensify its dialogue with NGOs and is reviewing its internal guidelines on topics such as NGO selection and results reporting.

The need for a more strategic multilateral approach

The multilateral share of Swedish ODA was 25.9% in 2003, slightly over the DAC average. To this could be added the large amounts channelled to the multilaterals by Sida. In an increasingly globalised world, Sweden attaches increasing importance to multilateral co-operation. The PGD stresses the importance of implementing the internationally agreed development agenda, including the Millennium Development Goals and the fight against poverty. Sweden has traditionally supported the United Nations and the International Financial Institutions and is increasingly predisposed to make use of the European Community channel. This gradual evolution toward multilateralism has yet to be accompanied by similar levels of strategic thinking and performance monitoring. An immediate implication for the increased use of this channel is, therefore, the formulation of a clearer multilateral strategy and an organised system which more systematically tracks the performance of the multilateral institutions. Sida is now undertaking a study on how to strengthen linkages between multilateral and bilateral operations.

Recommendations

- Sweden is encouraged to continue its financial commitment to a **1% target** and to support international efforts which foster donor interest and funding commitments.
- Sweden is encouraged to continue its work towards a more strategically selective concentration of **countries** and **sectors**, consistent with the PGD.
- The MFA should continue to work with Sida to develop a clearer **multilateral strategy** and an appropriate **performance tracking system** as a basis of its engagement with these institutions.

Policy coherence for development

Sweden's traditionally strong role

Sweden has long recognised both the need for national policy to address trans-boundary issues and the fact that national decisions have international impacts. Sweden has been a major force of influence on the growing consensus among DAC donors on the importance of policy coherence for development. This interest has culminated in the PGD, which ambitiously mandates an integrated policy for global development, affecting all policy areas of government. PGD suggests a government role in support of policy action in multilateral contexts, such as the European Union or other specialised forums (*e.g.* Doha, Monterrey, Johannesburg). It also promotes candid international examination of industrialised country policy choices and of fulfilment of their commitments toward the developing world.

Despite this high-level advocacy role, the government realistically recognises that difficult economic environments and strong national lobbies can divert the attention of policy makers from developing world perspectives. Reference is made to “the other side” of policy coherence – the belief

of some that developing world considerations reciprocally need to be consistent with other Swedish national policy demands in the domestic political environment. In the light of such pressures, it is important that the government remain fully engaged in defining an effective approach to issues of policy coherence.

Becoming more systematic – from vision to implementation

Swedish policy coherence for development received major political momentum from the PGD. The level of enthusiasm for carrying forward this agenda is high, although the difficulties of its implementation are increasingly recognised. The government has a strong mandate to take relevant action, but will need to move quickly to take full advantage of the new PGD guidelines. **Institutionally**, the MFA will need to learn how to remain engaged while leaving space for a creative approach to government-wide ownership of policy coherence for development. **Analytically**, the annual PGD report to parliament is viewed by the Swedish government as its primary tool for addressing coherence issues. Additionally, to ensure that actions undertaken by the government comply with PGD guidelines, some type of regular, external monitoring of government-wide performance would seem important. **Public awareness** and **mutual learning** could be promoted through creative use of the next Forum for Global Development.

Recommendations

- Sweden could promote an approach, through a broader network of like-minded donors, that would more systematically **identify, analyse and promote resolution** of issues of policy coherence for development.
- Sweden is encouraged to maintain a credible and high-level approach to monitoring and evaluation of the **implementation of PGD policy coherence for development**.
- As the MFA develops the new **evaluation agency** mandated by the PGD, it should take care to avoid redundancies with existing development co-operation structures and it could consider a role for the new agency more in line with a whole of government approach.

Aid management and implementation

A more cohesive approach and simplified process

The central, practical issues of today's Swedish development co-operation often relate to finding operational solutions which respond to the ambitious vision and mandate laid down by the PGD. Many of these reforms are essentially administrative in nature, given the strong PGD policy framework, a positive public and political attitude to development and a flexible set of core implementation procedures. Success in implementing this agenda can provide valuable insights for other DAC members.

Sweden is fortunate to have a relatively simple and well organised institutional architecture for development co-operation. Most key decisions in the Swedish system require appropriate co-ordination of parliamentary guidance (PGD), national development policy (MFA) and sound field experience (Sida). Improvements in the internal efficiency and effectiveness of this decision-making core will require the MFA and Sida to maintain an increasingly strong team focus, in headquarters and in the field, on their joint role of promoting "equitable and sustainable global development". Because the embassies are already organisationally integrated, they can only function efficiently if MFA and Sida counterparts in Stockholm operate in a similar team fashion. Conversely, the MFA should discuss

with Sida leadership the perception that the annual letter of appropriation and other formal instructions are increasingly detailed, giving the impression of micro management of Sida operations.

The less than fully co-ordinated operations between the MFA and Sida can result in unnecessarily complex and cumbersome implementation guidelines for the field operations. Viewed from the field, Sweden has a “forest of policies” (policies, position papers, guidelines, etc.) and multiple implementation procedures and quality controls which merit continued review and simplification.

Practical implications of recipient ownership

Since the 2000 Peer Review, Sida has made a significant effort to **decentralise** operational decision making to the embassies. Building on its three pilot experiences in 2000, Sida now has thirteen “fully delegated” missions and six partially delegated ones, with expectations for further delegations over the next few years. This is consistent with Sweden’s interest in recipient ownership of its programmes and more harmonised partnerships with other partners. One consequence of this rapid shift of responsibility from Stockholm to the field is the need for regular high-level re-examination of relationships between headquarters and the field, which increasingly needs to become one seamless team.

An important, long-term consideration that is critical to Sweden’s effectiveness in the field is the presence of adequate **staff** (skills mix, headquarters-field proportions and delegation of personnel management to the field) to meet the future needs of the Swedish system. Personnel policy objectives in a decentralised environment can include staff planning well in advance of field needs, a special status for local professional staff and better delegation of personnel contracting authorities to the field.

Sweden has multiple objectives for its embassies in the developing world, while it has limited resources at its disposal. Embassies such as the one visited in Nairobi are obliged to take on multiple objectives (bilateral and regional, development, commercial and political, etc.) which require it to manage operations very strategically. Sweden should provide embassy leadership with strategic guidance that encompasses the full range of its operational functions. In the case of Nairobi, for example, the embassy could benefit from a properly framed, integrated regional strategy (east Africa and Great Lakes) to more effectively situate its complex field operations and thereby help the efficiency of overall operations (funding channels and modalities, sector focus, use of civil society, optimal use of staff). Such an approach in Nairobi could potentially serve as a model for other complex embassy operations elsewhere.

Sweden is at the forefront of the international agenda on **harmonisation and alignment**. Sida has a formal action plan for harmonisation and the field visit to Kenya suggested that considerable progress is being made in implementing it. Because of its flexible implementation procedures, Sida has been able to successfully implement delegated partnerships with some other like minded donors, such as the Netherlands and Norway. Sweden now should be able to extend these partnerships in more countries and with more partners, thereby significantly advancing the global harmonisation agenda. Similarly, Sida has tested numerous forms of alignment with local government procedures and systems and could actively help monitor the pros and cons of such arrangements to the benefit of all DAC donors.

Better demonstration of results

The PGD calls for more careful monitoring and evaluation, and more results-based management in development co-operation. It also calls upon the government to help strengthen the capacity of the developing countries to monitor their own efforts wherever possible. PGD suggests that targets be

established in country, regional or other planning documents and that they are used as points of reference in regular reporting of performance. Although Sida field feedback is regularly provided to higher level authorities, this information may not always be impact oriented or systematically linked to specific predetermined indicators. New approaches to the demonstration of results are now under review, such as the new country strategy guidelines. A greater attention to impact monitoring and reporting will enhance Swedish aid credibility with the public and provide a more specific basis for promoting performance-based systems.

Recommendations

- The MFA and Sida should pursue discussions on **operational relationships** which permit greater system efficiency and promote more of a team environment. Decentralisation is an important new direction and Sweden is encouraged to review regularly and collaboratively its field operations, how they can be made better and the organisational trade-offs between headquarters and the field that may be necessary to its efficiency. Additionally, a clearly integrated, regional strategic vision for operations at the embassy level could improve operational efficiency.
- As the government continues to implement PGD, it should continue to examine ways that its system can be further **simplified**, consistent with recipient country ownership, reduced process requirements and greater system transparency and efficiency.
- **Staffing** needs to be an ongoing preoccupation. As the government and Sida implement their operational reforms in the field, they will need to continue to reflect on the size, type, skill base and location of its professional development staff.
- Sweden's approach to **harmonisation** and **alignment** of its aid is well advanced and offers both policy and implementation lessons to other DAC members. Sweden can continue to work systematically with other donors who are similarly able to generalise their involvement in delegated partnerships.
- Sweden is currently reviewing reforms in the way it measures **results**. It is encouraged to do so in a way that most effectively integrates monitoring, evaluation and other results-based management approaches.

Humanitarian aid

A strong presence in the humanitarian field

Sweden allocates a large proportion of its ODA to humanitarian aid (16% in 2003) and provides timely and flexible funding. Many of Sida's partner countries are in difficult situations of transition or armed conflict and this has stimulated the government to focus more on the relationship between humanitarian aid and development co-operation. It has introduced a humanitarian policy which confirms previous practice, while strengthening compliance with principles and practices of Good Humanitarian Donorship (GHD). This approach to policy could serve as a model for other donors.

Humanitarian aid management is divided between the MFA and Sida, with MFA responsible for policy development and co-ordination of humanitarian aid and Sida responsible for implementation and follow-up. A national disaster response unit, the Swedish Rescue Services Agency (SRSA), which is under the authority of the Ministry of Defence (MOD), may also be called upon to implement humanitarian action. Consultations between the MFA and Sida are formal and instructions to Sida have become more detailed as Sweden's interest in humanitarian action increases. Humanitarian aid is

not delegated to the field, but Sida uses regional humanitarian co-ordinators to improve assessments, monitoring and follow-up

Improvements at the margin

Although Sweden's new humanitarian policy does not introduce entirely new issues, it will, together with the PGD, place new demands on humanitarian aid operations. Existing Sida strategies merit some review, consolidation and revision. Furthermore, there seems to be no plan yet for systematic follow-up of the way policy is translated into practice. In 2004 the Ministry of Finance (MOF) and the MFA imposed new guidelines for management of ODA budget lines. These changes have the potential to negatively affect Sida's provision of timely and flexible funding for humanitarian action and its ability to manage transition situations.

Management of humanitarian aid could be further streamlined: different units in the MFA manage the multilateral agencies involved in humanitarian action. Sida manages its humanitarian aid programmes from a department with multiple responsibilities including support to civil society, humanitarian aid and conflict management. The logic of this organisational set-up is potentially inconsistent with the efficient management of this large and growing portion of the Sida portfolio and may interfere with the independence of humanitarian action in relationship to other agendas. Management at the field level could also be further strengthened by reinforcing the role of the regional humanitarian advisors. The present arrangement for supervision of the Swedish Rescue Services Agency (MOD, MFA and Sida) appears to be an inefficient management approach.

Recommendations

- Sweden's **humanitarian aid policy** requires further operational articulation. The MFA should clarify, in a more operational manner, how to protect civilians. It should also examine possible negative effects of current humanitarian aid budgetary guidelines. Sida should consider the merger of its existing strategies and position papers into one comprehensive strategy with an implementation focus. The MFA and Sida are encouraged to jointly develop methods and systems for monitoring implementation of the humanitarian aid policy.
- Current **humanitarian aid management** merits attention. The MFA should consider managing humanitarian multilaterals through one administrative unit and Sida should consider creating a separate department responsible for humanitarian aid to ensure the independence of humanitarian action and improve transition support. The role and functions of regional humanitarian co-ordinators could be better integrated between MFA and Sida in Stockholm and at the level of the embassy. MOD, MFA and Sida should also clarify their operational relations and procedures with the Swedish Rescue Services Agency.

SECRETARIAT REPORT

Chapter 1

Strategic Context and New Orientations

Strategic context of Swedish development co-operation

A tradition of leadership in development co-operation

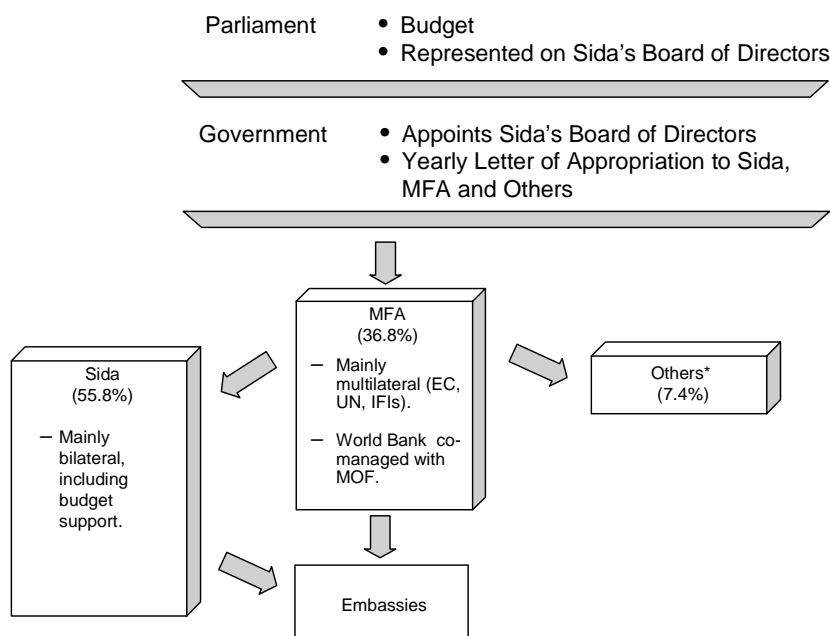
Sweden has long maintained the belief that poor countries can lift themselves out of poverty if they are provided with proper development support. It also believes that democracy and strong participation from civil society are essential to the development process. Development co-operation was established more than 45 years ago, with churches, popular movements and non-governmental organisations (NGOs) among the main driving forces. Unburdened by the legacy of colonialism, Sweden has a long tradition of church-sponsored missions, particularly in Africa and Asia. Because of its own history, it maintains a policy of neutrality, and is frequently perceived in the developing world and elsewhere as an “honest broker” and committed peacemaker. Sweden also is a strong supporter of the United Nations and other multilateral institutions. Among others, these factors form the basis of political and popular support for a national development co-operation programme. This has permitted Sweden to maintain one of the highest Official Development Assistance (ODA) to Gross National Income (GNI) ratios among donors. It again is expected to become the world’s most generous donor in 2006 with an ODA/GNI ratio of 1.0%.

A significantly centralised national development co-operation system

Consistent with a 400 year old tradition, Sweden’s approach to government is centralised and intended to be efficient. In the general Swedish approach, the legal framework is established by parliament, policymaking is the role of small, highly focused ministries, and implementation is the responsibility of semi-autonomous agencies of government who receive annual letters of instruction from government. Consistent with this approach (see Figure 1), the Ministry for Foreign Affairs (MFA) plays a centralised policy making role for all Swedish development co-operation and relies heavily on the Swedish International Development Cooperation Agency (Sida) for policy implementation. A more detailed description and analysis of the organisation and management of this system can be found in Chapter 5.

Figure 1. Key Actors in Sweden's Development Co-operation System

Share of total ODA 2003 shown in brackets



* Swedish Export Credit Guarantee Board 6.9% (debt forgiveness co-managed with MOF), Ministry of Environment 0.3%, Swedish Institute 0.1%, Nordic Africa Institute 0.1%, Folke Bernadotte Academy <0.1%.

Source: OECD, MFA and Sida.

Noticed by the DAC: the new Policy for Global Development (PGD)

Ambitious new parliamentary policy guidelines

The 2000 Peer Review of Swedish development co-operation highlighted the strong role played by parliament (*Riksdag*) which, at that time, had just elaborated a broad statement of national policy, underscoring the interest of “good neighbourhood” (among Nordic and Baltic sister states), of “Sweden in Europe”, especially the European Union (EU), and “Sweden in the World” (global security through bilateral and multilateral partnerships). Much of the thinking that went into these different partnership principles was inspired by international vision statements and agreements, including the *DAC Strategy for the 21st Century*, the Millennium Declaration and various international conferences, in which Sweden actively participated in order to shape a global agenda. To translate the parliamentary vision into action, a Commission on Swedish Policy for Global Development (*Globkom*) presented a report (Swedish Parliament, 2002) to the government. The *Globkom* report was used as the point of departure in generating a ground breaking government bill to parliament, entitled *Shared Responsibility: Sweden's Policy for Global Development* (Swedish Government, 2003). This bill, now referred to as the **Policy for Global Development (PGD)**,¹ is the current cornerstone for all

1. Although it was voted upon by the Parliament, PGD is not a “law”. In the Swedish system such a policy is used as guidelines which help direct Swedish government authorities in subsequent implementation. These guidelines are then repeated in other steering documents, particularly the

Swedish development co-operation and is therefore one of the primary points of reference for this Peer Review. For completeness, it also should be noted that additional important PGD refinements² were provided by parliament at the time of its endorsement of the bill in December 2003 and were contained in its final report (Swedish Parliament, 2003), the detail of which will be addressed elsewhere.

Sweden thus became the first DAC donor to adopt and implement an integrated policy for global development. This action requires all areas of government policy to become coherent with its principles of “equitable and sustainable global development” (see Box 1). Sweden has responded to DAC Peer Review recommendation in 2000 to clarify the position of poverty reduction in its development co-operation programme and to address, at the highest level, the issues of policy coherence for development.

Box 1. Broadening the responsibility for development – the rationale of the PGD

“The end of the cold war and increasing globalisation now make shared progress a real possibility for all. For the first time there is today an internationally agreed agenda for global development, the expression of which is the UN Millennium Declaration. For more than a billion people, life is a struggle for survival every single day. This is morally unacceptable. It is a huge waste of human energy and creativity. Development is more solid when everyone can take part in it. Life is better for everyone when no one is excluded. This true in Sweden and it is true in the world as a whole.

... Development can never be externally created or imposed on people. Development is created by people in their own society. We must therefore become better at listening, but also at making demands. Our policy must be based to a greater extent on the lives, experiences, capacity and priorities of poor people. We can in this connection draw on our own experience of reducing poverty, in which peace, democracy, good governance, investment in children and young people, economic growth, equitable distribution of income and resources, and gender equality are vital elements...”

Source: PGD.

The shape of PGD

Broadly speaking, the PGD has been shaped around an overarching **goal** of equitable and sustainable global development, which is to be achieved via a more coherent policy and increased collaboration and co-ordination with other countries and actors. The goal is formulated so as to be applicable to different national policy areas and activities. It can be broken down into concrete objectives and targets in various areas and reference to the Millennium Development Goals (MDGs) is particularly prominent. The PGD considers the MDGs of central significance for international development co-operation and for the global monitoring and evaluation of the commitments made by Sweden and other donors.

-
- “Letters of Appropriation” to government ministries (*e.g.* the Ministry of Foreign Affairs) and agencies (*e.g.* Sida). There are no formal sanctions automatically linked to these guidelines.
2. Including requests that: i) the guidelines for Swedish war material exports should consider if democracy is a precondition for any country receiving Swedish arms exports and if poverty and development criteria should be part of the decision; ii) the government should regularly report to parliament on Swedish priorities concerning the World Bank, IMF and regional development banks; and iii) the government should identify the location of co-ordination responsibility for the PGD.

Parliament was careful to state that two “**perspectives**” on development will be the standard basis upon which PGD is carried forward. A rights perspective must permeate the policy, meaning that measures taken towards equitable and sustainable development will be compatible with respect for human rights. Both MFA and Sida should ensure that the application of a “rights perspective” does not develop into a simplified interpretation of the human rights conventions. The policy must also be based on the perspectives of the poor, which means that poor people’s needs, interests, capacity and conditions are a point of departure in efforts to achieve equitable and sustainable development. Even more specifically, PGD stipulates that its policy will be operationally defined around eight “**central component elements**” (see Box 2).

Box 2. Parliament’s attempt to target coherence of global development

Parliament identifies eight “central component elements” of its policy which are intended to direct government toward priority areas of PGD implementation. These central component elements are:

- 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.

These themes are to be used as a framework for enhanced co-ordination and coherence between policy areas in favour of development. Where conflicting objectives are identified, they become “the focus of well-informed and well-considered strategic choices”. Specific suggestions are made in the PGD for greater coherence in the areas of legal issues and policy frameworks, security and defence policy, trade and business investment policy, migration policy, social welfare and public health policy, economic and financial policy, education policy, agriculture and fisheries policy, cultural policy, environmental policy, and industrial and employment policy.

Source: PGD.

For purposes of this Peer Review, it is important to emphasise that, within the overall Swedish approach to PGD, development co-operation is only one instrument among many in the overall national approach. Consistent with the broader government-wide approach, the PGD concludes with a modest section for Swedish international development co-operation, focused on the need to give emphasis to the poorest countries, to merge the special attention given Central and Eastern Europe into general development co-operation, and to emphasise that co-operation should always complement the developing countries own efforts to achieve development. Guidance touches upon a wide range of topic areas (a poverty eradication goal, strategic priorities, country-level approaches, humanitarian operations, role of the EU, multilateral agencies, effectiveness considerations, increasing ODA, administration and learning) and will be extensively referenced throughout this Peer Review.

Critical issues of PGD implementation

Today, just over one year into the implementation of this ambitious agenda, Sweden is increasingly aware of the importance - and the difficulty - of this effort. Included in the initial issues confronted by Swedish authorities (described more fully elsewhere) are:

- Initial expectations that the “whole of government” nature of the PGD required the location of its secretariat in the Prime Minister’s office, quickly gave way to a more pragmatic decision to place it in a new “Global Development” department of the MFA, under the Minister for International Development Cooperation.
- Ambitious wording on government annual reporting on PGD implementation progress has proven methodologically difficult and a first annual report (September 2004) contained only vague statements of intent (see Box 11, Chapter 4).
- An explicit PGD instruction to create “an independent structure” for evaluation of development co-operation has led to extensive political and technical debate, with the precise outcome yet to be clarified.

Other potential challenges relate to the need for a clearer statement on the appropriateness of “showing the flag” in the new context of PGD and how commercial interests fits into this policy (“other side of coherence” – see Chapter 4), the issue of how best to drive the principles of PGD down to field operations, how field leadership is to sort through and prioritise the “forest” of policies it faces from parliament, the MFA and Sida (see Chapter 5), and the need to create an inclusive environment for public collaboration on PGD implementation (see Chapter 1, below).

Overall progress since the 2000 Peer Review

Key DAC recommendations from the 2000 Peer Review (OECD, 2000), and Sweden’s progress in responding to them, are noted in Annex A. Numerous DAC recommendations have been addressed. These reforms have been driven essentially by the strategically powerful Policy for Global Development. They include:

- i) The need to maintain **ODA** levels (current policy is to attain 1.0% ODA/GNI by 2006).
- ii) Greater strategic and operational clarity at **country level** (strategic guidance, exit, partnership, forms of co-operation).
- iii) Clear announcement of the goal of **poverty** eradication and for **policy coherence** for development around this goal (the PGD goal statement).
- iv) Encouragement for improved monitoring and **evaluation** for management by **results**.
- v) Encouragement for operational **decentralisation** where needed and met by recipient country efforts.

While the intent to address the issues raised in the previous DAC Peer Review is well documented and has high political support, it is important to note that much remains to be done to implement these policies and intentions at the level of field operations.

Public awareness

The status of public and political support for development co-operation

A longstanding public interest in the developing countries of the world has generated similar interest at the political level and undoubtedly facilitated the role of Swedish development co-operation as an innovator among donors. Nevertheless, public support for development can fluctuate up or down in response to international events such as the recent Indian Ocean tsunami or persistent press reports of developing world corruption. Assessments of public opinion on national development co-operation are updated annually by Sida and its surveys are seen as a primary indicator of public attitude. The most recent (2004) survey, taken before the recent tsunami, shows a continued positive perception of development co-operation among respondents - eight out of ten find it important for Sweden to contribute to development in poor countries and two out of three believe that aid contributes to a better world. However, some less positive, albeit very modest, trends emerge as well - some loss of support is registered for the current volume of aid, fewer respondents declare that they contribute to voluntary aid groups, and the size of the “uncertain” group is the largest measured in two decades. In a global era of continuing government budget restraint and a lessened role for the state, Sweden recognises that it needs to continue to reach out to its public to ensure its support for national development co-operation remains informed and that the shape of its development efforts remains consistent with evolving national perspectives.

Public awareness building

Sida has a budget of some USD 30 million for public information activities. About two-thirds of this total is reallocated to NGO public education programmes and one-third is utilised by Sida itself to target youth, general public, partners and opinion builders. Since 2000, Sida has focused on the topic of MDGs through yearly campaigns related to different MDG themes, such as “halving poverty”, education, HIV/AIDS, etc. Sida is also a co-actor in the MFA initiated campaign entitled “Chance of a Lifetime” (see Chapter 3, Box 5) which aims to keep the MDG issue in the public eye and to underscore the role of a broader Swedish effort to attain them.

The Ministry of Foreign Affairs also contributes to the broader process of public awareness building to support PGD through an approach called “public and professional dialogue”. Recognising that the Policy for Global Development is the responsibility of the whole of Swedish society, the ministry is openly seeking opportunities to create a larger role for NGOs, public sector actors, the education sector, popular movements, academia and the private sector. One prime aspect of this approach, and a PGD requirement, is an innovative **Forum for Global Development**. This Forum will have an independent secretariat and budget to undertake six tasks:

- Promote broad dialogue within Swedish society (“arena” for dialogue).
- Stimulate discussion of the diverse goals and objectives and the annual PGD report (professional and public debate of conflicting interests in the arena).
- Stimulate public debate on broad development and coherence issues (involve media and opinion makers).
- Stimulate co-operation and co-ordination (encourage creative action on working together).
- Encourage mutual learning (encourage exchange of good practice and experience).
- Contribute with concrete suggestions and ideas on PGD implementation.

The Forum concept was launched in 2004 and is expected to become reality later in 2005. The government expects that participants will come with their own perspectives and agendas: the NGOs to influence policy; the private sector to enhance commercial prospects; the research community to identify new lines of investigation, etc. Activities sponsored through the Forum will include a major annual event, regular meetings between the Minister and sub-groups of participants, and thematic meetings between civil servants and stakeholders (*e.g.* debt, trade, MDGs). The diversity of participation offered through this approach is expected to raise public awareness and support for development co-operation. The expectations for this approach are high although, like with other aspects of the PGD, implementation will be challenging. Issues already anticipated include the compartmentalisation of interests of the different government offices, an impatience that is already being expressed by the NGO community, and a concern that this focus of partnership is too “event” oriented.

Future considerations

- Sweden is encouraged to share its experience in implementing the **PGD** with the DAC member states. Numerous implementation issues are of interest to other donors, including the special role played by parliament and operational approaches which encourage whole of government ownership of the global agenda.
- It will be critical to maintain public and political support for the higher priority now sought for Swedish support of the developing world. A **Forum for Global Development** could be a major opportunity in this respect and will require sustained high level attention to implement successfully.
- Another factor in maintaining public and political support will be the government’s ability to **report** back to the Swedish public on Sweden’s achievements in relation to the broader international development agenda, including the MDGs.

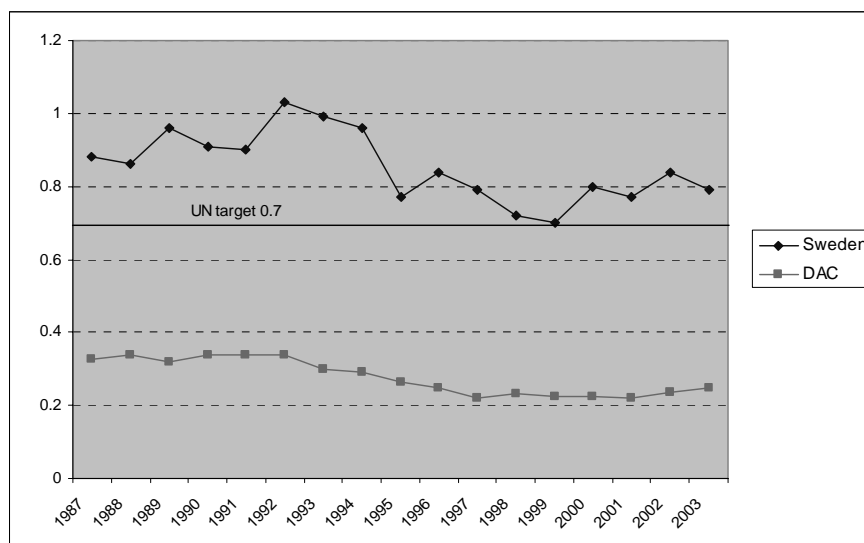
Chapter 2

Aid Volume, Channels and Distribution

A visible and slowly growing ODA

Sweden remains one of the most generous DAC member countries in terms of the proportion of its economy dedicated to Official Development Assistance (ODA). In 2003 Sweden's net ODA disbursements amounted to USD 2.4 billion, corresponding to 0.79% of the nation's Gross National Income (GNI). Sweden has a long history of high ODA/GNI (see Figure 2). Since 1975 it has surpassed the UN target of 0.7% every year, and it has been well above the DAC average for three decades. Due to economic challenges and budget restraints in the late 1990s, Sweden's ODA effort fell to 0.7% in 1999. That trend now has been reversed. Consistent with a 2000 Peer Review recommendation, current budget projections suggest that a 1% objective will be reached in 2006 and sustained through 2007.

Figure 2. ODA as percentage of GNI



The Policy for Global Development (PGD) emphasises Sweden's ambition to allocate 1% of its GNI for official development co-operation and public support for this is strong. Recent history has demonstrated, however, that such objectives can be influenced by national economic challenges and other restraints. Swedish authorities fully recognise the importance of proactively working to maintain public and political support. The current aim is to provide additional specific information on the impact of Swedish ODA while better demonstrating that Sida is strengthening its focus on measures to combat corruption (see Chapter 6). At the international level, the PGD also encourages Sweden to

actively support the increase in ODA levels of other donors, both in the EU and other OECD countries.

The bilateral channel: policies and allocations

The bilateral share of Sweden's ODA was 74% in 2003, consistent with the DAC average of 76%. In the 1970s, Sweden cancelled most loans to the poorest countries and has since relied essentially on grants for its bilateral assistance. Sweden attributed only 7% of gross disbursements to debt-related activities in 2003.

Geographic allocations

Consistent with PGD's overriding goal of poverty eradication, Swedish ODA is largely allocated to countries with low levels of per capita income. Some three-quarters of its allocable bilateral ODA go to least developed and other low-income countries. More than 50% of this ODA benefits Africa, predominately sub-Saharan Africa (see Table B.3). In addition, the government budget proposal for 2005 entails large increases of funds to Least Developed Countries (LDCs) and Africa.

Key recipients of Swedish ODA are found in Table B.4. It can be expected that, over time, the PGD directives which now place special emphasis on poverty eradication will influence the allocation process at the country level (*e.g.* the currently significant Central and Eastern Europe co-operation), particularly in terms of ODA-led development co-operation.

Long-term co-operation countries versus other recipients

For many years, Sweden maintained a tradition of directing priority bilateral ODA to a group of some 20 **long-term co-operation countries**. Over the last decade, the number of countries benefiting from Swedish ODA has increased substantially, as have the number of country strategies. The 2000 Peer Review noted concern over the progressively falling share of allocable bilateral ODA to the long term countries and urged clarification of the status of these countries and the appropriate share of ODA that they should receive. Since that Peer Review, Sida has grappled with its approach to these countries. The current inventory of "long-term and substantial" Sida recipients is noted in Box 3 for reference and includes some 30 countries. The total number (all ODA recipients) of countries has remained stable, amounting nevertheless to 111 in 2003 (112 in 2000). Most non-priority countries receive limited support, but collectively they crowd out funding and administrative resources to the more strategically selected, long-term recipient countries. Sweden does not have a formal exit policy from recipient countries but, practically speaking, it is usual to observe a slow reduction in aid volume, followed by greater cost sharing and ultimately, some form of alternative bilateral relationship.

Box 3. Inventory of "long-term and substantial" recipient countries

AFRICA: Burkina Faso, Kenya, Malawi (in co-operation with Norway), Mali, Mozambique, Ethiopia, Rwanda, Tanzania, Uganda, Zambia. The development co-operation with Angola, Namibia and South Africa is being phased out and support to Zimbabwe is "on hold".

ASIA: Afghanistan, Bangladesh, Cambodia, Kyrgyzstan, Laos, Palestinian Administrative Areas, Sri Lanka, Tajikistan, Viet Nam.

LATIN AMERICA: Nicaragua, Honduras, Bolivia.

EUROPE: Albania, Bosnia Herzegovina, Georgia, Moldova. The volumes to Macedonia, Serbia and Montenegro are also high but the co-operation is not long term.

For the future, the lack of focus on strategically selected, long term countries continues to be an issue for which key development institutions have differences of opinion based on their different roles and interests. Sida focuses on maximising impact while reducing administrative costs and has consistently argued in favour of concentrating on a smaller number of priority countries. The MFA, with an emphasis on Swedish foreign policy and less direct involvement in aid implementation, prefers spreading ODA resources more broadly, often based on shorter-term perspectives and in countries or sectors of more direct interest to Swedish domestic constituencies. Significant to this internal Swedish discussion is the latest parliamentary language. Here too, differences are noted. In its 2002 report (Swedish Parliament, 2002), the parliamentary committee Globkom recommended that Sweden should limit its long-term co-operation to a manageable number of countries. The government countered that overall development co-operation should be broadened but that programmes and projects could be concentrated in fewer areas (Swedish Government, 2003). Ultimately, the parliament PGD report (Swedish Parliament, 2003) has become the current point of reference, stating that bilateral development co-operation which encompasses many development activities within one country (*i.e.* broad development co-operation) should, for practical reasons, be limited to a smaller number of countries than has been the case.

Sida now is discussing a possible set of criteria for prioritisation of long-term countries of involvement, including: Low-Income Country (LIC) status; existence of a nationally owned development agenda with clear poverty focus; consistency with Swedish values; clear policy and progress toward democratic governance and corruption; and the potential for value added from Swedish assistance. Another category of countries that have received a gradually increasing share of Sweden's bilateral ODA in recent years is the so-called "fragile states". In fact, four out of the top ten Sida recipients currently are considered transition countries. For these countries, Sida suggests more regular re-evaluations, to ensure that support is withdrawn when no longer needed.

For the moment, the increasing size of Swedish ODA has lessened one source of pressure on Sweden to address the issue of programme priorities. With the advent of PGD, however, it should be possible for decision-makers to establish a clearer (policy) setting of priorities, both countries and sectors. In the interest of more efficient development aid delivery and of better international collaboration around the MDGs, it would seem important to continue the work towards more geographic and sector selectivity.

Sector distributions

Sweden's bilateral aid sector distributions (see Table B.5) are heavily oriented to social infrastructure and emergency assistance. While the Swedish focus on social infrastructure is in line with the DAC average, Sweden's large (24%) share of bilateral ODA used for emergency assistance stands out in comparison with the DAC average of 8%. The specific issue of humanitarian aid, as well as other Swedish sector priorities, is dealt with more extensively in Chapter 3 and Annex E. In general, allocations among sectors has been fairly stable over the last decade, even though the choice of sectors of involvement has been increasingly demand driven, based on partnership agreements with the recipient country.

The special role of Swedish NGOs

In total, USD 261 million or some 18% of bilateral ODA (Table B.2) went to Swedish non-governmental organisations (NGOs) in 2003. Of this amount, USD 105 million (7%) went to core support, while the corresponding figure for the total DAC was 4%. Swedish NGOs now have only to raise 10% of total funding from their own budget to be able to receive project funds from the state.

Even so, Sweden's NGOs raise an estimated SEK 2 billion (USD 250 million) of development funds on their own.

The previous Peer Review questioned how Sida was able to ensure that the aid channelled through the NGOs is used in accordance with Swedish policies and priorities. This question is even more pertinent today as the new Policy for Global Development stipulates the need for increased collaboration between government and Swedish organisations and popular movements. The criteria used to select NGOs which benefit from ODA funds is embedded in guidelines which merit updating to reflect the new emphasis on these organisations. Changes are now underway, including an intensification of the dialogue between Sida and NGOs. It now conducts capacity assessment studies and demands that evaluation systems be in place. Sida has strengthened its requirements for NGO accounting and for results reporting.

The multilateral channel

The multilateral share of Sweden's ODA was 25.9% in 2003, close to the total DAC average of 24%. To this could be added the large amounts channelled to the multilaterals by Sida. Recent trends suggest movement towards a greater concentration of funding around fewer organisations and an overall increase in use of the multilateral channel over time.

The overall trend towards multilateralism

In an increasingly globalised world, the Swedish government attaches more and more importance to multilateral co-operation. The Policy for Global Development stresses the importance of multilateral agencies to implement the internationally agreed development agenda, including the fight against poverty and the Millennium Development Goals. The present evolution towards multilateralism finds its roots in a Swedish tradition of trust in, and support for, multilateral agencies, predominately the United Nations. Nevertheless, Sweden has criticised many of these same agencies and been an active proponent for reform in favour of efficiency and improved governance structures. This position also is reflected in PGD, which states that Sweden should continue to contribute to the improvement of the efficiency of multilateral agencies' operations and to call for closer co-operation among them.

The most immediate implication of an increased focus on multilateralism is the need for Sweden to have a clear multilateral strategy. This also is necessary to respond to PGD guidelines, in order to ensure that allocations are consistent with its policy objectives. Sweden uses some criteria for the allocation of funding among the different multilateral institutions (see below). However, with reference to a remark made in the 2000 Peer Review, Sweden still lacks a clear multilateral strategy, as well as an organised system which regularly tracks the performance of the multilaterals it supports. Sida is now undertaking a study on how to strengthen linkages between multilateral and bilateral operations.

Allocations

Swedish contributions to the **United Nations** (see Table B.2) were USD 188 million or 10% of total gross ODA disbursements in 2003, compared to the DAC average of 6%. These statistics support the image of Sweden's strong support for the UN system, particularly for the leading political role it plays in reaching the MDGs, and for its wide-ranging work for peace and security, human rights, gender equality, democracy and the environment.

In theory, the criteria used to allocate Swedish ODA to the UN agencies include predictability, burden sharing and performance. Special priorities also can drive the direction of funding. For example, increased support recently was contributed to the joint United Nations programme on HIV/AIDS (UNAIDS), the United Nations population fund (UNFPA), the United Nations development programme (UNDP) and the United Nations children's fund (UNICEF) because of the new priority focus on HIV/AIDS (see Chapter 3). Sweden takes pride in its tradition of progressively increasing funding for UN bodies, usually without earmarks or conditionality. The wide range of UN recipients is illustrated in Table 1.

Table 1. Sweden's contributions to UN agencies in 2002-03

UN Agency	%
UNDP	20
UNHCR	15
UNICEF	15
WFP	10
UNFPA	10
UNRWA	9
Other UN	21

Source: See graph in Table B.2.

Sweden is also a strong supporter of the **World Bank** group (see Box 4), and made large commitment in 2002 (about USD 500 million). It recently concluded International Development Association (IDA) replenishments that made it the sixth largest contributor to the IDA.

Box 4. Parliamentary interest in the International Financial Institutions

Over the last years there has been an increasing interest in the International Financial Institutions (IFIs) in Sweden. This interest was evident in the context of PGD discussion in parliament, which led to a decision that "The government should regularly, in a written form, present to the parliament the Swedish priorities in relation to the World Bank, the International Monetary Fund (IMF) and the regional development banks."

This increased interest in the IFIs is appreciated since it creates an opportunity to draw attention to the strengths of the World Bank, the IMF and the regional development banks, just as many in Sweden question the role of these institutions. Although the Swedish government recognises the need for improvements within these institutions, it is also understood that they are needed to reach the MDGs.

With regard to the **regional development banks**, Swedish support (USD 108 million) in 2003 was 6% of total gross ODA, compared to a 2% DAC average. Three quarters of this support was channelled to the African Development Bank (AfDB), to which it has recently become the sixth largest contributor. Sweden wishes to support the regional banks so as to assist legitimate regional actors and to promote ownership. Sweden has favoured the AfDB because of its strong focus on LDCs and Africa.

Regarding the **European Community (EC)**, Sweden gave a relatively small share of its ODA (USD 100 million or 5% of total gross ODA), compared to a DAC average of 8%. However, Sweden's role in the EC has become clearer in recent years and its contributions have increased. At present, Sweden supports both increased ODA contributions to the EC and a more unified aid policy among the member countries.

Future considerations

- Sweden is one of the most generous donors in DAC. The previous 1% ODA/GNI objective has been reinstated and should be reached in 2006 and sustained through 2007. In spite of the continuing pressures of government wide budget austerity, Sweden is encouraged to continue its financial commitment to a **1% target** and to work more proactively with underperforming donors.
- In the interest of more efficient development aid delivery and of better international collaboration around the MDGs, Sweden should continue the work towards a more strategically selective concentration of **countries and sectors**.
- Given the current growing trend towards multilateralism, the MFA should develop a clear **multilateral strategy** and appropriate **performance based tracking system** as a basis of its engagement with these institutions.
- Given the importance of the **NGOs** for Swedish development co-operation, the government now should reflect on how it intends to form an effective partnership with this group around the vision provided by the PGD.

Chapter 3

Sector Priorities and Special Themes

Parliamentary guidance on the shape of sector priorities

Sweden's Policy for Global Development sets the tone for future shaping of its sector priorities. PGD is characterised by an overarching goal of equitable and sustainable global development, valid for all Swedish government policy areas, and a more specific poverty eradication goal for development co-operation. It also makes clear reference to rights and poverty perspectives and eight "central component elements" (see Chapter 1).

Poverty reduction and the MDGs

Although poverty reduction has been the primary goal of Swedish development co-operation for many years, other objectives often have successfully competed with it. PGD unambiguously stipulates that Sweden's overarching development co-operation goal is to "contribute to an environment supportive of poor people's own efforts to improve their quality of life". It can be expected that the implementation of this policy over time will have identifiable impacts on the organisation of Swedish aid and the allocation of programme and operational resources within its system. Highest level PGD directives now focus Swedish development co-operation on poverty specific sectors which have linkages to a rights perspective and the perspective of the poor.

The more specific direction offered by the Millennium Development Goals makes them a special object of Swedish policy. The MDGs play a central role in the national Policy for Global Development. A recent report (Swedish MFA, 2004b) provides an impressive inventory of the co-ordinated actions already taken by the government in response to national policy. Among others, Sweden has launched a major MDG campaign (see Box 5), increased its ODA, worked actively for more efficient aid procedures, pushed for open trade and financial systems, assisted poor countries to return to sustainable debt levels and established priorities for the health sector in both its bilateral and multilateral programmes. Sweden is one of relatively few industrialised countries to fulfil its MDG reporting commitments to the UN. MDG results feedback to parliament will first figure in the 2006 annual PGD report (see Box 10).

Box 5. "The Chance of a Lifetime"

Sweden has initiated an MDG campaign "The Chance of a Lifetime". The campaign aims to increase public knowledge of the MDGs, to encourage public support for them, to co-ordinate efforts on the topic within civil society and to facilitate the work of politicians and others in favour of achievement of the goals. One key message of the campaign is that it is possible to reach the MDGs on time: "Halving poverty by 2015 – it can be done!". The campaign also refers to PDG as a national policy based on the MDGs. Recent opinion polls suggest that the campaign is having an effect. Increasing numbers of Swedes are aware of the MDGs and more believe that the goals can be achieved on time. A recent Sida survey suggests that 90% of the Swedish public believes that it is important to achieve the MDGs. For more information see www.millenniemaalen.se.

The 2000 Peer Review encouraged Sweden to continue collaboration with the international community to define achievement indicators for the International Development Goals (the precursor of the MDGs) and to consider incorporating these indicators, once defined, into its aid programme. However, Sweden's current approach to measurement of MDG results is only modestly focused on Swedish-specific efforts and outcomes. Rather it has focused attention on MDG indicator reporting at the aggregate international level and at the level of the recipient country. Sweden's rationale for this approach is the greater efficiency of assessing aggregate achievements and, conversely, the difficulties of attributing some level of impact to the specific Swedish portion of aid alone when poverty reduction is a multi-partner effort. National public and political processes in Sweden yet do not appear to have expectations for any special indicator of Swedish performance concerning the MDGs, as long as progress is being made internationally.

Sector priorities

The Policy for Global Development (see Box 2, Chapter 1) promotes eight sector-like "central component elements": i) human rights; ii) democracy and good governance; iii) gender equality, iv) sustainable use of natural resources and protection of the environment; v) economic growth; vi) social development and security; vii) conflict management; viii) global public goods. Since the first six items of this list were previous sub-goals of Swedish development co-operation, they already are well reflected in Swedish sector policies and strategies.

The Swedish government has made a special effort to highlight the importance of "new" priority elements - conflict prevention and global public goods. **Conflict management** is a special priority for the Swedish government because of the frequently strong link between poverty and armed conflict. It is discussed more fully as a special theme at the end of this chapter. **Global public goods** is the focal topic of an International Task Force on Global Public Goods, initiated jointly by Sweden and France. The objective of this Task Force is to systematically assess and clarify the notion of global and regional public goods and to determine which public goods should receive policy and budget priority. The Task Force also will propose responsibility for follow up and monitoring of effectiveness and results. In support of the Task Force, a secretariat was established in Stockholm.³

Table 2 shows that priorities supported by Sida in 2003 were in the social sectors, democratic governance-human rights and infrastructure-private sector-urban development. Beneath the broad titles are included a number of sub-sectors, of which some are very large. For example, Sweden defines **social sectors** as education, health, sexual and reproductive health and rights, water, sanitation and culture and media.

3. For more information see www.gpgtaskforce.org .

Table 2. Sida's sector disbursements in 2003

USD million

Main sector	Amount	%
Social sectors	372	28
Human rights and democratic governance	363	27
Infrastructure, private sector and urban development	262	19
Natural resources	153	11
Other	199	15
Total	1 349	100

Source : Sida.

In addition to the eight central component elements and their multiple sub-sectors noted above, both Sida and the MFA have their own, sometimes overlapping internal sector priorities. The MFA currently places “special” priority on HIV/AIDS, sexual and reproductive health, conflict management and the fight against narcotics and Sida maintains internal “special” priorities in HIV/AIDS and corruption. The multiple Swedish priorities are confusing to those inside and outside of Sweden and has practical implications both for the size of administration needed to implement them and the extent to which field operations can be focused and effective. The MFA and Sida are encouraged to jointly review these sector priorities in light of PGD guidance in order to better describe the sector priorities of the future, and to establish a clearer sense of hierarchy among them.

Special themes

Three themes of special interest have been selected for more complete review: the private sector, HIV/AIDS and humanitarian assistance. All three are of current importance to Swedish development co-operation and all hold a special interest for the DAC. Conveniently, the private sector also is an example of the “perspective of the poor” promoted by PGD and the HIV/AIDS sub sector an example of the “rights based” approach.

The private sector

Sweden considers private sector development (PSD) to be one of the key factors necessary to economic growth and poverty reduction. The Policy for Global Development stipulates that economic growth is a necessary, although not sufficient, condition for equitable and sustainable development. It notes that economic growth, when combined with measures to promote the equitable redistribution of resources and to combat against corruption, will be central to long-term national stability and good governance.

Sida has an ambitious approach to PSD, with a special focus on the poor. The 2003 documents - *Making Markets Work for the Poor*, Sida (2003c), and *Policy Guidelines for Sida's Support to Private Sector Development*, Sida (2003d) - drive Sida's approach toward the concept of a type of pro-poor growth which develops efficient markets that ultimately work for the poor. Sida pays special attention to markets in which poor people are directly involved, primarily agriculture and the informal economy,⁴ and to women and their roles in these markets. For Sida, private sector

4. The informal economy has also been the subject for an extensive study by Expert group on development issues (EGDI), the Foreign Ministries' Expert Group on Development Issues. See www.egdi.gov.se.

development is not limited to a sector in the conventional sense. Sida believes effective PSD is intimately linked to Sida's broader mission, including peace and security, human resource development and environmentally sustainable development. Consequently, Sida uses an integrated and holistic approach to PSD, engaging the entire breadth of its organisation.

Sida's mainstreaming approach to the private sector aims at dealing with the range of private sector constraints and issues. Some observers have suggested that the current approach is still too "Stockholm-centric" and could usefully better involve the field, with its front line knowledge, in the development of Swedish policies in the area. By way of a testimony to the newness of these approaches, the presence of a strong private sector development approach was not evident in Kenya when visited for this Peer Review (see Box 6). The timing could be right for a more comprehensive evaluation of existing specialised private sector tools and institutions so as to draw out lessons learned from past experience in this important sector.

One innovative feature of the Swedish private sector programme is the recently launched "Open Trade Gate Sweden" - a single point of contact where entrepreneurs from developing countries can receive free, user-friendly information on trade rules and regulations for the Swedish and EU-market. Also, Open Trade Gate Sweden will work to overcome barriers to trade and to influence Swedish and EU trade policies and development strategies through its role as advisory body to the MFA. Initiated by the Minister of Trade and Industry and the Minister of International Development Cooperation, Open Trade Gate Sweden is part of the Swedish National Trade Board. It will work with other governmental agencies and private organisations, including Sida, the Swedish Customs, the Swedish Business Development Agency and Swedish Chamber of Commerce.⁵

Box 6. Supporting the private sector in Kenya

The Policy for Global Development recognises the importance of economic growth and the full and effective participation of all countries in the global economy to achievement of its overarching goal of sustainable development, human rights and poverty alleviation. Sida has developed a holistic Private Sector Strategy which involves Sida organisation broadly. It believes that effective private sector development depends on and can contribute to peace and stability, human resource mobilisation, environmentally sustainable development, functioning infrastructure, good governance, respect of human rights and a vibrant civil society.

Perhaps because Sweden already is involved in so many sectors, its approach to the private sector in Kenya is indirect, essentially brought about by the system improvements in justice and land tenure, education, health, roads, agriculture, water and housing. As Sida does not dispose of specialists in relevant private sector areas, Swedish support in those areas will be channelled through partnerships with other donors.

With PGD now being implemented at all levels, it can be anticipated that the embassy in Kenya will want to pay more attention to trade and private sector development issues in the future. This could be possible at the sub-regional level (e.g. EU ACP Cotonou Agreement) or in connection with EU work on agricultural subsidies or in opening European markets to African exports. In support of policy coherence for development, Sweden could seek a more comprehensive regional approach to its work in Kenya, seek out coherence issues from the Kenyan perspective, seek to more clearly integrate the trade-development issues into its programmes with Kenya and the region, and encourage the embassy economist and trade staff in the Embassy to report periodically and jointly to the MFA and Sida about local and regional perspectives.

5. For more information see www.opentradegate.se.

HIV/AIDS

In 2004, the Swedish government made a special commitment to address HIV/AIDS. The government also made Sexual and Reproductive Health and Rights (SRHR) a priority, together with the fight against narcotics, as measures that could affect the struggle against the epidemic. Policy papers (Swedish MFA/Sida, 1999 and 2004) on the topic highlight the fact that Sweden's response to HIV/AIDS is rights based and that people around the world have the right to protect themselves from the disease and to be provided with the means to do so. This special commitment has already led to increased funding and renewed efforts at different levels. Multilaterally, Sweden has increased its contributions to UNFPA, UNAIDS, UNDP, UNICEF and other UN agencies. It has also increased its support to the Global Fund for AIDS, Tuberculosis and Malaria (GFATM). Bilaterally, Sweden has increased its HIV/AIDS co-operation with a number of countries, mainly through Sida and with a special focus on strengthened dialogue within partner countries. Box 7 describes one example of a country approach used in Kenya. This special commitment has also meant increased readiness by Sweden to work with the entire chain of actions needed to address the epidemic. Although Sweden continues to focus on preventive measures, there also is a greater openness to take part of investments in healthcare and treatment, including research on vaccines.

Box 7. HIV/AIDS in Kenya

HIV/AIDS is a threat to the socio-economic development of Kenya. Poor and disadvantaged women, men and children are particularly vulnerable to its ravages. Already 1.5 million Kenyans have died from AIDS; life expectancy has dropped from 60 years in 1993 to 47 in 2003, attributable largely to HIV/AIDS; and there are an estimated 1.7 million AIDS orphans. The government of Kenya (GOK) has identified HIV/AIDS as a multi-sector and multidimensional problem, but there remains a need for sustained commitment at all levels in key ministries to combat the virus. Sweden's Kenya Strategy places great importance on mitigating the impact of HIV/AIDS and preventing the further spread. In 2005 Sweden scaled up its efforts significantly with a three pronged approach that utilizes a number of Sweden's strengths in development co-operation: i) policy dialogue; ii) mainstreaming; iii) relationships with civil society.

Policy dialogue with the GOK and other partners is central to their efforts. The starting point of this dialogue is that partner countries must be empowered to take full responsibility to address HIV and AIDS as a development issue. Sweden places particular emphasis on addressing power relations, culture and gender, and bringing men into the discussion. Sweden is **mainstreaming** HIV prevention and mitigation into all development co-operation in Kenya. In the roads sector, for example, Sweden has assisted in raising awareness of the impact of road-building and maintenance on HIV/AIDS at the local level and has assisted the ministry to build its capacity to minimise this impact. Sida is continuously improving its methods through an internal initiative called "Mainstreaming in Action" which addresses a number of cross-cutting issues including HIV/AIDS. Using AMREF-Kenya (the African Medical and Research Foundation) as the umbrella organisation, Sweden is providing direct support to civil society organisations to build community capacity to prevent and mitigate HIV/AIDS. **Civil society** uses its local understanding and networks to increase awareness of the impact of gender roles, cultural practices and power relations on HIV/AIDS.

Given the need to better emphasise implementation and to foster high-level co-ordination among the multiple actors involved with this complex issue, Sweden established the post of HIV/AIDS Ambassador in Stockholm. Sida created an HIV/AIDS group, consisting of a secretariat in Stockholm, a regional team for Africa (Lusaka) and regional advisors for Southern Asia (New Delhi) and for Southeast Asia (Phnom Penh). The HIV/AIDS group works to ensure a broad approach to the problem and to integrate HIV/AIDS issues into Sida's different processes and projects, with emphasis at the country level. The main task of the group is to give advice and provide support, including information and knowledge dissemination, to all units and Sida departments in Stockholm and to the embassies in different regions.

Humanitarian aid and conflict prevention

Sweden is a leading humanitarian donor both in the volume of its assistance and in its methodological innovations and practical approaches to implementation. In 2003 Sweden allocated some USD 315 million of ODA to emergency and distress relief. The fact that perhaps one-half of Sida portfolios now are in countries in transition or in armed conflict⁶ has caused Sida to increase attention to the relationship between violent conflicts and poverty and between development co-operation and humanitarian aid. (See Annex E for a special report on Swedish support to humanitarian action.)

The PGD recognises conflict management and human security as one of its eight central components. In 2004 the Swedish government produced a humanitarian aid policy document (Swedish Government, 2004b), based on humanitarian principles and International Humanitarian Law and guided by the *Principles and Good Practice of Humanitarian Donorship* (GHD). The policy provides guidance on preventive measures for natural disasters, conflict prevention and the relationship to development co-operation. Swedish policy makes explicit reference to international guidelines on the use of military and civil assets and recognises the primary position of civilian organisations in implementing humanitarian action. In line with the approaches in its development co-operation Sweden has also included a rights perspective. The new policy is advanced and could be a model for other donors.

Humanitarian aid management is shared between the MFA and Sida. Organisationally, the MFA is responsible for policy development and co-ordination of humanitarian aid and Sida for implementation and follow-up in support of the MFA policy role. Humanitarian aid within Sida is located in the Department for co-operation with NGO's, humanitarian assistance and conflict management (SEKA). This department operates under a mandate with multiple and often parallel objectives, potentially inconsistent with the principles of efficient management of this large and growing portion of the Sida portfolio. Following the increased importance Sweden has placed on humanitarian action, the instructions from the MFA to Sida have become more detailed. Consultations between the MFA and Sida are formalised through bi-weekly meetings. Another organ of government, the Ministry of Defence (MOD), is responsible for civil protection and domestic disaster preparedness policy and is also the regulatory authority over the national disaster response unit, the Swedish Rescue Services Agency (SRSA).

Humanitarian aid is not delegated to field level but Sida uses regional humanitarian co-ordinators to improve assessments, monitoring and 'follow-up' of its humanitarian aid. The MFA and Sida usefully could further develop the system of regional coordinators by strengthening their roles and functions. Humanitarian action is often implemented in countries where Sweden has no bilateral agreement with the government or where there is no legitimate government. When natural disasters or armed conflicts occur in countries where country strategies and plans exist, humanitarian aid is normally provided outside ordinary development co-operation frameworks. In some instances of long-term complex emergencies, Sida may be instructed by the Government to propose humanitarian country strategies to further strengthen a needs based approach and prioritise between sectors and target groups.

Implementing agencies and NGOs generally perceive Sweden as a provider of timely and flexible funding. Sweden strives to make early disbursements to UN consolidated appeals and provides stable, un-earmarked funding to major humanitarian partners such as the International Committee of the Red

6. Thirty-eight countries, disbursements amounting to some USD 450 million according to Sida's statistics.

Cross (ICRC)/International Federation of Red Cross and Red Crescent Societies (IFRC). Multi-year funding arrangements are possible but are subject to annual parliamentary approval. To speed up decision-making processes, Swedish NGO's also are entrusted with "rapid response funds". Sweden strives to ensure that funding of high profile humanitarian action does not disproportionately affect the ability to meet crisis funding needs elsewhere in the world. Although not formal policy, Sweden's announced ambition is to fund all United Nations consolidated appeals process (UN-CAP) unless already well funded. Sweden has supported international efforts to develop practical tools to promote accountability, efficiency and effectiveness in implementation by funding dissemination of standards and principles. In post-emergency situations or other circumstances where Sweden will be engaged in longer-term rehabilitation, reconstruction and development programmes responsibilities are gradually transferred from Sida's humanitarian division to the regional departments. However, management of transition situations has become less flexible due to changes on what can be financed through the development co-operation budget and the budget line for "humanitarian assistance and conflict management". MFA should, together with Sida, explore the consequences of these changes to avoid shortfalls and a possible vacuum of funds during transitions.

Sweden has taken important steps to develop and define approaches in the area of **conflict management**, including detailed guidance on conducting conflict analysis to understand how development co-operation strategies, programmes and projects are affected by and can affect potential or ongoing violent conflicts. In 2004 the MFA launched the *Stockholm Initiative on Disarmament, Demobilisation and Reintegration* to gather together and draw on policy making and field expertise to strengthen international approaches and response to disarmament, demobilisation and reintegration (DDR) programmes. One area for consideration is the respective numbers and roles of in-capital and in-country officials working in this policy area, and the interaction between these officials and external consultants whose temporary involvement does not strengthen institutional knowledge in the long term. Another issue is the division of labour between projects and programmes in open, armed conflict and post-conflict situations (comprising 80% of Sida's conflict management work) relative to activities in situations of submerged and rising tensions. Given the current international priority on conflict prevention and early warning, Sweden will need to give continued attention to the areas where its development co-operation can have the most constructive and stabilising effect on dynamics of conflict and peace.

Future considerations

- Sweden's Policy for Global Development constitutes a framework for its sector policies. As it works to implement the PGD, Sida and MFA jointly are encouraged to introduce a clearer hierarchy and structure into the multiple **sector priorities** which currently exist.
- With the global guidance now offered by the PGD, the MFA and Sida are encouraged to review ways to better drive the principles of the policy on the **private sector** into field implementation.
- Sweden's **humanitarian aid policy** requires further operational clarification. The MFA could clarify more operationally how to protect civilians as well as examine the negative effects of current humanitarian aid budget restrictions. Sida should merge its existing strategies and position papers into a comprehensive strategy with an implementation focus. The MFA and Sida are encouraged to jointly develop methods and systems for monitoring implementation of the humanitarian aid policy.

- Current **humanitarian aid management** merits attention. The MFA should consider managing humanitarian multilaterals through one administrative unit. Sida should consider creating a separate department responsible for humanitarian aid to ensure the independence of humanitarian action and improve facilitation of transition support. The role and functions of regional humanitarian coordinators could be better integrated between MFA and Sida in Stockholm and at the level of the embassy. MOD, MFA and Sida should also clarify their operational relations and procedures with the Swedish Rescue Services Agency.

Chapter 4

Policy Coherence for Development

Sweden's role in the growing consensus on policy coherence for development

The growing consensus

The OECD and its members recognise the importance of coherent and complementary economic, social and environmental policies in their own countries if they are to have a lasting impact on poverty in the developing world. In adopting the *Action Shared Development Agenda* (OECD, 2002), OECD members stressed the need for industrial countries to pay greater attention to the impact of their policies on developing countries. That initiative followed upon earlier commitments within the DAC to make policy coherence for development the common denominator of government policies and to adopt the means to achieve that goal on both the national and international fronts.

Strengthening policy coherence for development implies taking account of the needs and interests of developing countries in the context of the evolving world economy. This is a challenge for industrialised countries, where domestic interest groups and government departments are frequently preoccupied with concerns and responsibilities other than combating world poverty. Moreover, European member states, such as Sweden, can act simultaneously at the national and community level, since the European Commission now has jurisdiction in certain areas of government action (see Box 8). EU member states can use their influence, individually or through strategic alliances, to bring coherence to policies emanating from the various European institutions.

Before joining the EU, Sweden traditionally had a very liberal position on trade issues and an economy that was itself free of export subsidies. As a member of the EU, Sweden has worked to liberalise the broader European agriculture and trade system and has actively promoted special arrangements in favour of developing countries.

Sweden's traditionally strong role

The growing consensus among donors of the importance of policy coherence for development drew a portion of its inspiration from the pioneering work⁷ of Sweden. The most significant achievement in this area to date, already mentioned extensively elsewhere, came with the

7. Parliamentary initiatives in favour of policy coherence for development (PCD) have been extensive over the last decade and included, *inter alia*: *The Rights of the Poor – Our Common Responsibility*, Comm. 1996/97:169; *Democracy and Human Rights in Sweden's Development Co-operation*, Comm. 1997/98:76; *Human Rights in Swedish Foreign Policy*, Comm. 1997/98:89; *Sweden's International Co-operation for Sustainable Development*, Comm. 2002/03:29. This also includes numerous other strategy documents, such as *An Integrated Swedish Globalization Policy for Equitable Economic Development*, the action programme on conflict prevention, the report on trade and development and the action programme against trafficking in persons.

December 2003 approval by the Swedish parliament of a national Policy for Global Development. PGD notes that Sweden has long recognised the need for national policy to address trans-boundary issues and the fact that national decisions have international impacts. It also notes Sweden's belief that better coherence improves effectiveness, because knowledge and experience from different areas are put to use and because measures can then reinforce, rather than contradict, one another.

Box 8. Policy coherence within the European Union

Within the European Union, the principle of coherence in development assistance policies is upheld in Article 130V of the Treaty of Maastricht (1992). Institutional mechanisms have subsequently been adapted for this purpose, including the amalgamation, under the code name RELEX, of the various directorates involved in the EU's external relations. An informal network of experts also exists among member states to promote policy coherence for development.

Because the EU is a major trading bloc, the question of market access is an area where policy makers must take account of the consequences for developing countries. The "Everything but Arms" initiative adopted in 2001 was intended to eliminate all EU quotas and tariffs for exports from LDCs (except for weapons, and for bananas, rice and sugar, which are subject to transition periods before total liberalisation). Like other developing countries, LDCs nevertheless face difficulties in overcoming non-tariff barriers, including rules of origin and sanitary and phytosanitary measures applied to agricultural trade. These provisions are growing in importance, as other obstacles to trade disappear.

Community policies, such as the Common Agricultural Policy (CAP), designed to preserve the rural way of life in member states, can also have significant repercussions on the prospects of developing countries. The CAP provides for agricultural production subsidies within the EU. Export subsidies are then used to dispose of farm surpluses on other markets at prices below the cost of production, in this way depressing world prices. There is evidence to show that subsidised products of this kind give rise to unfair competition on local markets, particularly in developing countries where farming is the main source of livelihood for most of the population. EU member states and the Commission are pursuing negotiations to reform the CAP in order to reduce the trade distortions it causes. In 2003, the agriculture ministers of EU countries agreed that the majority of subsidies should in future be de-linked from production volume.

The PGD asks the Swedish government to play a proactive role in favour of policy coherence in multilateral contexts, such as those afforded by the EU (Cotonou Agreement or the Lisbon process) and other relevant specialised forums (Doha, Monterrey, Johannesburg). Sweden promotes candid international examination of industrialised country policy choices and of fulfilment of their commitments toward the developing world. In this sense, the PGD favours Sweden's active involvement in the development of an index for the degree of coherence in the conduct of development policies by the member states of the OECD, so that it may be a useful tool for international debate and opinion formation.

However, in spite of this rich history of forward thinking on policies in favour of developing world perspectives, not all of Swedish society automatically falls in line behind this approach. Advocates of policy coherence for development have long recognised the importance of openly addressing the wide variety of other national interests which may seem to counter those of development elsewhere in the world. In fact, the breadth and depth of public debate on this topic in Sweden have caused some to refer to the "other side" of policy coherence – that Sweden's development co-operation reciprocally needs to become more responsive to other Swedish national policy interests. It will prove revealing, as the actual implementation of the Policy for Global Development gains in speed, to observe the extent to which this other side of coherence becomes an active issue. Already, some segments of Swedish society, NGOs or think tanks, for example, have criticised the PGD for not directly addressing some of the more entrenched national issues. For illustrative purposes, potential issues for Swedish policy coherence are noted below.

Potential issues regarding policy coherence for development

Arms Exports

In 2003 Sweden exported arms in the amount of approximately USD 800 million.⁸ Based on average exports over the period 1999-2003, Sweden was the 11th largest supplier of conventional weapons in the world.⁹ Perhaps best known among them is the combat aircraft *JAS Gripen*.

Current Swedish war materiel legislation dates from 1993 and is mainly based on analysis carried out in the 1980s. Changing world security conditions and Sweden's adherence to the EU in 1995 led the government in 2003 to initiate a review of these changes with a view to proposing legislation and guidelines that better regulate Swedish arms exports. An initial government investigator's report was presented in February 2005.

When the Swedish Parliament first endorsed its new Policy for Global Development (December 2003), it also decided that the government review should examine the use of a democracy criterion in any new arms export guidelines. In effect, this would complement an existing principle that Sweden not export arms to a country at war, nor to a country that flagrantly violates human rights. Parliament also requested that the review consider using poverty and development perspectives to influence policy decisions on arms exports to a specific country. This request underscored the importance of ensuring that arms exports not undermine the main objectives of the PGD, namely, the achievement of equitable and sustainable global development and to support poor people's efforts to improve their quality of their lives. However, Parliament also reiterated another (potentially contradictory) guiding principle on arms exports when it stipulated that due consideration also be given national interest considerations concerning foreign policy, defence policy and international defence co-operation. Critics suggest that, in a situation of conflicting interests between the principle of not exporting arms (country at war, lacking democratic governance, disrespectful of poverty reduction priorities) and the principle of defending the short-term national interest (defence industry co-operation, safeguarding Swedish arms sales), the latter would prevail.

One example of a controversial Swedish export that received extensive publicity was the sale of combat aircraft to South Africa in 2000. The decision to export these planes to South Africa, despite the country's severe poverty and health related problems, and the financial drain on the South African economy was questioned by a wide range of actors. Similar controversy has arisen from the government's attempts to export these aircraft to Chile, the Philippines and Brazil.

Most vocal in their criticism of current arms export policies are some political parties and parts of the Swedish NGO community. With the introduction of a national Policy for Global Development, these actors now are able to claim that placement of narrow national business interests before the interests and rights of the poor stands in direct contrast to national policy. To safeguard the intent of PGD, they suggest the use of a "caution principle" in arms export guidelines which would interdict the export if there is a risk that it has the potential to conflict with poor people's interests and rights. The initial government investigation has not followed this line of reasoning. However, it proposed the inclusion of a development criterion into the new directives.

Even in a country with clear principles of policy coherence for development such as Sweden, it will take time to fully address an economically important area like arms exports. To ensure that

8. Source: Government Report 2003/04: 114 on strategic export control 2003, www.regeringen.se .

9. Source: SIPRI (Stockholm International Research Institute), www.sipri.org .

poverty and development receive full consideration, some non-governmental groups argue for a special arbitration instrument that could deal with potential conflicting national interests and enforce the principles enumerated in the PGD.

Migration

Since the mid-1990s, immigration to Sweden has constantly increased. In 2004, immigrants constituted 12% of the Swedish population.¹⁰ Sweden is known for having generous immigration legislation, even though NGOs and refugees advocating groups have criticised the more restrictive application of it in recent years. The Swedish law provides for the granting of asylum or refugee status in accordance with the 1951 UN Convention Relating to the Status of Refugees and its 1967 Protocol. In addition, Sweden is one of some 15 countries which in co-operation with the United Nations high commissioner for refugees (UNHCR) accept an annual quota of refugees.¹¹

Sweden recognises that migration is a development issue and as such it is specifically mentioned in the Policy for Global Development. PGD mentions a number of measures that Sweden will take in the area of migration to enhance policy coherence in order to reach the new policy's objectives. The first annual report on PGD progress to parliament also picks up on the topic of migration. In the report, it is emphasised that Swedish migration policy comprises refugee, immigration, immigrant and returnee policies, and that a holistic and collaborative approach, based on the connection between migration and development co-operation, is necessary. The fact that the Minister for Migration and Asylum policy and the Minister for International Development Cooperation are placed in the same ministry can be expected to simplify interaction between the two fields. The report to parliament also specifies challenges facing implementation of PGD in the area of migration and points to initiatives taken to address identified problems. Hence, there is awareness in Sweden of incoherencies relating to migration.

Nevertheless, there are issues of coherence to which Sweden could dedicate more attention. As mentioned in the annual report to parliament, reducing costs for remittances and "brain drain" are questions in need of further development, as is the complex balancing between the right to apply for asylum, offering protection for refugees and a clearer understanding of how Sweden needs to control immigration. As member of the European Union, Sweden has an opportunity to promote the establishment of an appropriate European asylum and migration policy for all member states.

Moreover, it appears that the connection between development co-operation and migration is not yet entirely as apparent as PGD, and the PGD progress report, aims to promote. Seemingly, migration issues gained little attention among development institutions before introduction of PGD. It is worth noting that neither Sida nor the MFA yet have a statement on the use of development co-operation to support a national policy on migration, consistent with PGD. It is important that Sweden be active on these issues within the context of the EU. Based on the experience of other DAC members, it may be possible for these institutions to contribute to the migration agenda and even suggest development actions in order to affect policies for migration consistent with PGD.

10. Source: The Swedish Migration Board, www.migrationsverket.se and Statistics Sweden (SCB), www.scb.se.

11. Quota refugees include refugees in the formal sense of the word, but also other persons whom UNHCR together with the Swedish Migration Board (with approval from the Government) perceive to be especially vulnerable. In 2004, the quota was mainly filled with persons from the Middle East and Asia.

Untying

The PGD specifically recognises that the effectiveness of aid is improved by untying and that the only feasible and practical way to implement this policy is through co-ordinated measures in the EU and the OECD. Sweden, through the “Nordic Plus” group also is participating in an innovative experiment in totally untying aid funded procurement (see Box 9) in countries with appropriate procurement systems.¹² Latest DAC statistics show that Sweden is currently among the leading members of the DAC with some 96% of its allocable bilateral aid untied.

Box 9. “Nordic Plus” and aid untying

Sida is re-examining the policies of its aid procurement, through an enlarged “Nordic Plus” group of donors (Denmark, Finland, Norway, the Netherlands, Ireland, United Kingdom, Germany, Canada, Sweden). The group will attempt to establish a common procurement policy which places full responsibility on the recipient government for procurement in accordance with its own system. Use of such an approach will hinge on the recipient country obtaining “appropriate procurement policy” status. In the event the country system is not up to that standard, the donors will support the capacity building necessary to achieve it. Normally, recipient countries would carry out all procurement on an untied basis, although some recipients may wish to give preference in the bidding process to their local producers.

Against this backdrop, it was of interest to the Peer Review team that some members of the Swedish private sector held very different opinions on this topic. Disagreement was expressed by these representatives over some of the basic premises of untying. They suggested that the Swedish private sector (and the national interest) failed to benefit from business opportunities because of untying.

It would seem appropriate for the Swedish government to maintain a proactive posture on the issue of untying of its aid and to more explicitly address the reservations of its own private sector. Perhaps it now would be appropriate to undertake an in-depth analysis of the effects of Sweden’s own untying efforts over the past. The DAC encourages the Swedish government to use the mandate given to it by PGD to test even greater levels of untying (*e.g.* with all low-income countries, beyond the LDCs) and to support efforts to better understand and document the impacts of untying on aid effectiveness and the relative competitiveness of Swedish exporters to developing countries. On this latter point, the DAC would appreciate being informed of any special analysis done by Sweden on its aid untying.

Promoting further policy coherence for development in Sweden

Swedish policy coherence for development has been offered major political momentum (and significant implementation challenges) by the PGD which stipulates that “co-ordination and coherence between different policy areas should be improved in order to make policies better able to promote development. Conflicting objectives should be identified, and should be the focus of well-informed and well-considered strategic choices”. The level of enthusiasm encountered in carrying forward this ambitious agenda has been high, although the difficulties of its implementation have already been recognised.

12. This initiative is based on the joint OECD/DAC - World Bank Roundtable on Strengthening Procurement Capacities in Developing Countries.

Institutional mechanisms

The Swedish government took on the task of implementing PGD soon after its approval. One of the first issues to be resolved was the location of the secretariat responsible for its implementation. Since the purpose of PGD was to permit a “whole of government” approach to development, the logical first choice was to place the secretariat within the Prime Minister’s Office. It was ultimately decided to place responsibility in its current location, the Department for Global Development in the MFA. The MFA assembled a team in the new department but remains aware, as does the Minister for International Development Cooperation, of the difficulty of managing such a broad based effort out of a line ministry. The fact that the MFA is responsible for overall Swedish development co-operation also (incorrectly) reinforces the perspective that PGD is a matter only for development co-operation. Under these organisational circumstances, it will be a challenge to get other Swedish ministries and institutions to take their own ownership of the concepts of PGD. In an effort to increase the efficiency of cross government co-ordination, one early measure has been to reinforce the role of previously existing “working groups” on trade and on agriculture which bring together the MFA and other relevant institutions on these two coherence issues. This approach usefully could be extended to other key policy areas, perhaps chaired by the relevant lead ministry.

Analysis

Sweden does not have an organised and systematic analytical capacity to follow up on the PGD agenda of identifying potential coherence issues and promoting “well-informed and well-considered strategic choices”, although the Swedish government views its annual PGD report to parliament as its primary tool for addressing these issues. Based on the experience of other, similarly motivated donors, it would seem appropriate to encourage the establishment of some type of a body, preferably outside of the MFA or Sida, to encourage a whole of government approach to policy coherence for development. Another option for Sweden in this area is to network with other institutions in Europe and elsewhere, to encourage broader-based analysis and ultimately action on issues of common interest. The MFA currently expresses the opinion that all government agencies should be responsible for policy analysis in their own area of expertise, suggesting that Sida could be a leading partner on issues of development co-operation.

The last chapter of the PGD stipulates that government should set up an independent body to evaluate international development co-operation. Current planning, projected to be put in action later this year, will establish an independent evaluation agency, either close to the MFA or in a more neutral location, which would regularly review Sida’s development co-operation. The Peer Review identified two potential weaknesses in this approach. First, given the logic of PGD, with its whole of government approach, the Peer Review believes that this body could more strategically be used to focus on the status of PGD implementation, perhaps housed in proximity to the Office of the Prime Minister or an alternative location outside government. Second, the present approach would appear to be redundant with an existing and well recognised evaluation capacity within Sida. In sum, the Peer Review believes that this could be a missed opportunity to independently review the overall effort to implement PGD by the Swedish government. At the same time, it would appear to reinforce the message that development issues are handled only in the traditional administrative areas of the MFA and Sida. It merits reconsideration.

One of the most interesting requirements of PGD is that government must annually report to parliament on the status of PGD implementation (see Box 10). A first report in September 2004 did not address substantive issues and was essentially limited to process planning. To compensate, government advanced the timing of the second annual report so that it will be produced in May 2005. This report will be compiled by the MFA Department of Global Development, with inputs from other

ministries, which again seems to place the onus of responsibility back on the shoulders of the development co-operation system. Here, too, the government may wish to revisit its decision concerning the evaluation agency so that it could be at least partially invested with this independent reporting responsibility.

Box 10. Annual reporting on Sweden's policy coherence

To follow up on implementation of the new Policy for Global Development, government is required to annually report to parliament on PGD progress. The annual report covers measures taken in different policy areas to strengthen the new policy, as well as Swedish efforts within the EU. Parliament requested that the reports be designed in a way that facilitates monitoring of progress over time. This implies the need for operational targets specific to individual policy areas. The parliament also asked for reporting of specific conflicts of interest, as well the way in which they were resolved. To enhance ownership within the whole of government, every government office is responsible for reporting progress in their area. Co-ordination for the report is done by an Inter-departmental Group, chaired by the MFA.

In September 2004, the Swedish Government presented the first annual report to parliament (Swedish Government, 2004a). Because this report came less than a year after parliament endorsement of PGD, it did not contain a description of results achieved. Rather, it described the range of policy areas which will be addressed and noted the challenges inherent in PGD implementation. The report asserted that work in the areas of communication, trade, the environment, human rights and peace and common security had progressed to date, and that of migration and agriculture needed greater attention.

The next annual report is due in May 2005. By then, the government expects to outline structured goals and identify potential conflicts of interest. Once prepared, it will be possible to set up an appropriate policy monitoring and evaluation approach. Clearly, satisfactory reporting on policy coherence for development will be a difficult task. This is also a testimony to the originality of the Swedish approach to global development and undoubtedly means that the approach will need to be established on a step by step basis.

Public awareness

Because the policy coherence debate within Swedish society will often involve competing political interests, action in this field requires a high degree of **public awareness**, a proper forum for public airing of opinion and a clear sense of rules of arbitration over conflict interests. This was recognised in the PGD as requiring both a "citizen's forum" to promote public dialogue (see discussion of the "Forum for Global Development", Chapter 1) and an additional effort by government external information and communication services. Both are already well underway. This attempt to inform and, more importantly, to listen to civil society and other non-governmental institutions, is crucial to the success of the PGD agenda. Numerous Swedish NGOs, specialists and more academically oriented bodies have demonstrated their interest and ability to understand and elucidate issues of policy coherence for development. A simultaneous, but parallel challenge for all is the promotion of the broader concept of **mutual learning**, so that different key participants are equally well informed and prepared to participate and take ownership of these policy positions.

Future considerations

- Specifically in the context of **arms exports**, Sweden should ensure that poverty and development factors receive adequate consideration so as to enhance consistency with the PGD.
- Based on limited experience elsewhere in the DAC, Sweden could promote an approach, through a broader network of like-minded donors that would more systematically identify, analyse and promote resolution of issues of policy coherence for development. The EU framework is one potential approach to join efforts with other European donors.

- As the MFA develops the new independent **evaluation agency** mandated by PGD, it will need to take care to avoid duplications/overlap with existing Sida approaches to development co-operation and is encouraged to consider a possible role for the agency more in line with PGD expectations of a whole of government approach on policy coherence.
- Sweden is encouraged to maintain an open and inclusive approach to **monitoring and evaluation** of the implementation of PGD policy coherence guidelines, including use of a Forum for Global Development, the independent evaluation agency and the possible establishment of some form of policy coherence analytical body. Sweden could consider an external review of PGD by other like-minded donor peers.

Chapter 5

Organisation and Management

Organisation

The logic of today's aid organisation

As briefly introduced in Chapter 1, the broad contours of authority in today's system of development co-operation flow from the Swedish parliament (especially the active Committee on Foreign Affairs) to the government, led by the Ministry of Foreign Affairs, who, along with the Swedish International Development Cooperation Agency (Sida) and a small number of other actors, implement the official aid programmes of Sweden. It is widely admitted that this system, which was built on a tradition in governance now several centuries old, could be modernised usefully if alternative organisational approaches were legislatively possible. Although the MFA and Sida admittedly form a closely knit tandem, from the point of view of today's approaches to efficient management, it will be useful to explore innovations that have the potential to promote better "team" relationships between them, both in Stockholm and the field. These innovations can be, and to some extent are, acted upon. At the highest level, the Policy for Global Development is promoting significant strategic rethinking of aid institutions and policy and additional reforms will certainly evolve as the PGD progressively becomes operational. At the operational end of the organisational spectrum, Sida is progressively decentralising its operations in the embassies (see Box 11 and Chapter 6) in support of more efficient country-based operations. Cohesiveness in the embassies would undoubtedly be facilitated by a similarly structured and intimate team environment in headquarters.

Box 11. Sida's strengthened field orientation

At the time of the previous 2000 Peer Review, Sweden had just launched three pilot efforts to decentralise authority to the field in Tanzania, Vietnam and Nicaragua. Building on this and other experiences in this area, Sida launched a much broader decentralisation effort in its 2004 *Vision for a strengthened field orientation*, (Sida, 2004b). It pursued the ideal of finding a balance between an empowered and strengthened field organisation and a supportive organisation at headquarters – so as to create "the best possible prerequisites for fulfilling the poverty reduction goal".

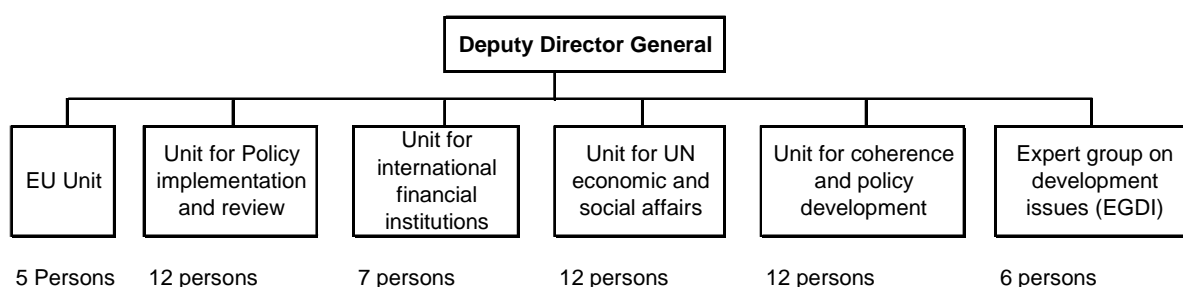
The 2004 document was also an action plan. It contained a first phase of structured planning which by June 2004 had led to 13 "fully delegated" missions, 6 partially delegated missions and 24 embassies or Sida offices with little or no delegation. Current thinking projects an increase in this number over the next few years. Full delegation accords decision-making responsibility to the head of the individual field office for activities up to USD 6 million (SEK 50 million) and for all programmes and projects included in the Country Plan.

Different locations for political leadership and for development expertise

A general description of the key actors within the Swedish development co-operation system would include the Ministry for Foreign Affairs (policy making; multilateral implementation) and the Swedish International Development Cooperation Agency (bilateral implementation), but also a variety of other official and non-governmental groups that play strong roles in some specific areas. Although some institutional roles may overlap, Sweden's centralised administrative approach and the repeated, high-level political desire "not to create mini Sidas" has meant that the system tends to remain cohesive and efficiently run from an administrative point of view.

The **Ministry for Foreign Affairs** (MFA) is broadly responsible for national policies of development co-operation, co-ordination among Swedish official actors and the actual implementation (with the Ministry of Finance and/or Sida) for the UN, EC, International Financial Institutions and humanitarian action, which together represent about **37%** of national ODA. The ministry sees itself playing a stronger role in some bilateral operations in the future, for example, in relation to "fragile" states or when the more politically controversial budget support modality is used for its aid. The MFA is a large and complex ministry, led by three ministers (foreign affairs; development co-operation; migration). The development co-operation portion of the ministry (see Figure 3) is primarily situated in the Department of Global Development, supervised by the Director, Director-General, State Secretary and Minister. An important feature of the MFA is its responsibility for 102 embassies, delegations and consulates around the world, many of which house development co-operation programmes. It is important to remember that the MFA has multiple priorities, in addition to development co-operation, a sense of which can be gleaned from the ministry organigramme contained in Annex C.

Figure 3. Organisation of the MFA Department of Global Development



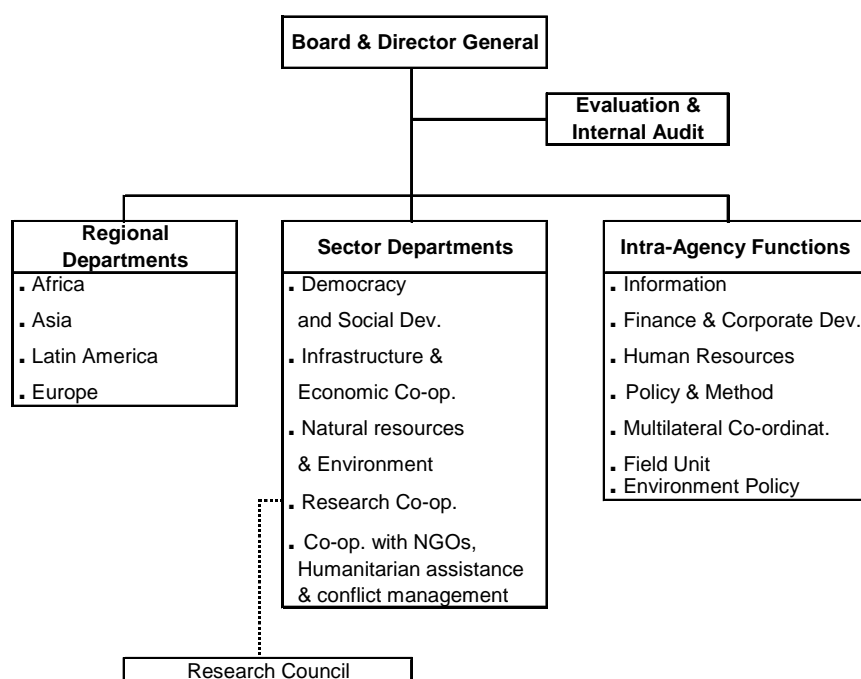
Source: MFA.

The **Swedish International Development Cooperation Agency** (Sida) has functioned as Sweden's primary bilateral implementation agency for Swedish aid and houses most of its implementation programmes since 1995, when Sida became home for five different aid-related agencies. Sida is administered by a Director-General, who is also chair of the Sida Board.¹³ It is organised around a matrix structure (see Figure 4) containing four regional departments, five sector departments and seven "intra-Agency functions" departments (strategic and co-ordinating functions, including selected support for multilateral actions). With the new emphasis on decentralisation of authority to its 40 field locations, the departments are primarily responsible for supporting work in the embassies. Almost one half of Sida's professional staff in Stockholm is located in the sector

13. Composed of 11 members from parliament, NGOs, trade unions and the private sector. The Board's role is advisory.

departments of the agency. One sector department of special note is the Department for Research Co-operation (SAREC) which administers support for research organisations in developing countries, regional networks, and international and Swedish development research, with guidance from a government appointed Research Council. Sida receives operational instructions from the government in the form of formal instructions, the annual letter of appropriation and MFA-approved field strategies. Directives from the MFA have tended to become more detailed and specific in recent years. This appears to be an issue for aid effectiveness as it could result in Sida's reduced flexibility and ability to act quickly. Sida maintains extensive working relationships with as many as 100 Swedish entities, universities and municipalities.

Figure 4. Sida



Source: Sida.

The role of the **Ministry of Finance** (MOF) in relation to Swedish development co-operation is mainly connected to the International Financial Institutions. Consequently, there is a special Division for International Financial Institutions at MOF, which in close collaboration with MFA and the Central Bank works with the World Bank and IMF. In addition, the MOF deals with the European Bank for Reconstruction and Development, debt issues (in co-operation with the Export Credit Guarantee Board) and budget support (in co-operation with Sida and MFA). The MOF co-manages some 12% of ODA. The **Swedish Export Credit Guarantee Board** (EKN) is a government agency placed under the political responsibility of the Minister for Industry and Trade. EKN provides companies, banks and financial institutions with state-backed guarantees against loss incurred in export transaction and foreign investment, in return for a premium. EKN also administers development aid guarantees on behalf of Sida representing some 7% of ODA.

Non-governmental organisations are recognised in the PGD as important partners in the Swedish system, with strengths in practical development work, opinion formation and public awareness - raising. PGD explicitly suggests that future relationships be strengthened. The government already funds NGO activities in a range of areas, including poverty reduction, work in fragile states, humanitarian action, development research and public awareness. The Swedish NGO community has also shown its value on issues of Swedish policy, including policy coherence. In total, the Swedish NGO community manages some one-fifth of Swedish ODA, largely in the form of grants from Sida, but also with the MFA and other official institutions. Sida works with NGOs on the basis of 14 framework agreements, which together fund the work of some 750 Swedish and 1500 developing country NGOs. Although the Swedish NGO community receives considerable official funding it has maintained a reputation for independence of policy. Issues raised by NGOs during this Review included the need for an inclusive and transparent national forum for development dialogue, concern that new calls for results reporting may only be a paperwork exercise going into a “black hole” and concern that new Sida decentralisation directives that channel aid through the embassies may marginalise Swedish NGOs in relation to partner country ones.

Co-ordination among national actors

More than ever before, co-ordination among Sweden’s public and non-governmental development efforts has become a cornerstone of Swedish policy. PGD points out that it makes little difference to a developing country whether development programmes are delivered by Sweden, other countries, the EU, the UN or financial institutions – as long as they are “well co-ordinated, based on a common, coherent approach and a well-developed dialogue, and that they effectively support the countries’ strategies”. This mandate from the parliament represents a remarkable challenge to Swedish institutions to act increasingly as one Sweden around one vision, in favour of developing world ownership and leadership. Implementation of the mandate will require new brainstorming among institutions of government (*e.g.* MFA-Sida-field on all aspects of development, MFA-MOF on multilateral approaches) and between government and the many other parts of Swedish society with an interest in supporting the work on a common Swedish vision and role in the developing world. To succeed on this latter point, the new Forum for Global Development (see Chapter 1) can be expected to play an important role in bring these various groups together around a common development dialogue.

Management

A management philosophy based on leadership and quality control

Conscious of its implementation role, Sida has been careful to cultivate an approach to management which is widely disseminated among its staff. As early as 1997, it described a dynamic approach to Agency management in which the role of its managers was defined as “well-coordinated, based on a common, coherent approach and a well-developed dialogue, and that they effectively support the countries’ strategies” (Swedish International Development Cooperation Agency [Sida], 1997). That statement also launched an Agency wide process of quality assurance, which proved to be a central part of today’s management streamlining and improvement, including the guidelines for Sida managers entitled *Sida at Work* (2003g). This provides a useful foundation for future review and reform of the different key areas of Agency management.

Management of strategy and programming

Sweden has a very comprehensive system of policy and strategy development. The Ministry of Foreign Affairs is officially the policy maker for national development co-operation. It periodically

writes and communicates statements of policy, often for broader public or parliamentary consumption. Both for full transparency and to better service the MFA role of co-ordinator of the overall Swedish system, this information could be better archived and made public, possibly through the MFA website.

For its part, Sida - technically not a “policy” making body - also generates numerous formal statements which are intended to be more related to the implementation of the policies of Parliament and the government. The Sida website currently lists a remarkable array of such statements: 2 “over-arching policies”; 17 thematic and specific “sector policies”; 19 “position papers” and many more “guidelines”; research documents and other papers. Importantly, in 2004, Sida established a new department for Policy and Methodology (POM), with a focus on the new poverty goal for Swedish development co-operation and with the dual assignment to: i) lead and co-ordinate Sida’s work on policies and methods; and ii) provide support and advice on methodological issues to field organisations and Sida departments. MFA and Sida inadvertently can have overlapping responsibilities, underscoring the importance of continued insistence on a well co-ordinated team approach in policy operations and so as to ensure proper order and clarity in the “forest” of policy documents that exist today. One example of such potential confusion is noted in Box 12.

Box 12. The potential for confusion between MFA and Sida

The trade area is one example of the potential for confusion between MFA and Sida over development policy. The MFA Department for International Trade Policy (DIT) has shown a special interest in trade related development co-operation. DIT normally is responsible for multilateral trade negotiations, relations with international organisations such as World trade organization (WTO), United Nations conference on trade and development (UNCTAD) and International trade center (ITC), while also directly administering a limited amount of funding for trade related development co-operation. The important role played by the DIT in the trade area created uncertainty in terms of its role in giving instructions to Sida, a function that is co-ordinated by the MFA Department for Global Development (DGD). The recent growth in the trade related development budgets of both Sida and the DIT has led to overlaps in disbursements (e.g. both sides give money to the WTO Trust Fund). To address these issues much work has been put into enhancing the formal and informal co-ordination of the DIT, the DGD and Sida, and formulating overarching Swedish guidelines for trade related development co-operation.

Country or regional strategies (usually for five years) are the most important instruments governing Sweden’s development co-operation with countries and regions. Under current procedures, strategies are produced for long-term development co-operation, although they can be used for other situations when justified by the size or complexity of the co-operation. These strategies are commissioned and approved by the government,¹⁴ and most preparatory work is carried out by the embassy, particularly by Sida field staff. Strategies are intended to be developed collaboratively with recipient country officials and other partners in a step-wise and transparent manner. Documents often also are produced in the local official language to facilitate this process. Because of Sweden’s overriding interest in poverty reduction, the strategy is expected to be linked to locally-owned Poverty Reduction Strategy Papers (PRSPs) or other similar documents. The government decision on strategy then normally delegates authority to Sida to decide on the issues that fall within the framework of the strategy. Further delegation then takes place according to Sida regulations. The country strategy is usually supplemented by an **agreement on development co-operation** between Sweden and the recipient country. It is important to note that, at the time of the Peer Review, new guidelines that better reflect the new requirements of PGD were being drawn up for co-operation strategies. The Peer Review urges Sweden to take advantage of the current context of reform to ensure that new guidelines simplify operational procedures and take full account of the field perspective.

14. *Guidelines for Country Strategies in Swedish Development Co-operation* provides explicit guidance on how to prepare these documents (Swedish MFA/Sida, 2002).

A critical, operational step in translating strategy to action is the **country or regional plan**. These plans cover a rolling, three-year budget and are updated annually by the embassy, in consultation with the Sida sector and regional departments in Stockholm. They are formally approved by the relevant regional department. These plans contain conclusions and directives on key operational areas (priority and size of contribution, dialogue and co-ordination, evaluation plan, resource plan) and are the major steering documents for development co-operation in the field. Feedback to Stockholm from the field on plan implementation is contained in a semi-annual and an annual **country report**, which currently does not appear to be used as much more than a formality of the routine reporting system. A more productive use of this report and a review of its periodicity would appear warranted.

At the lowest end of programming, the field transforms the substantive and resource authorities delegated to it into actual projects and programmes of assistance through what it calls “**contribution management**”. This term has been chosen to reflect Swedish policy that funds be made to projects and programmes that are owned and implemented by committed co-operation partners (much of Swedish assistance is implemented through local official or non-governmental approaches). Detailed guidelines on the implementation of contribution management are presented in Sida’s *Manual on Contribution Management* (Sida, 2003f). Perhaps the greatest challenge in using this type of implementation is to find the proper balance between the needs of the partner and those of the strategies, policies and legal requirements of the Swedish government. The role of the local Swedish field mission is critical in this process – it ensures that the concerns and requirements of Sweden are properly addressed and monitored, while it help the local partner by best fitting Swedish funds with partner needs, then accompanies the partner at every step of the way to ensure that results are obtained.

In sum, Sida has developed a well structured, transparent and fairly complex approach to the strategic programming of Swedish bilateral assistance. Particularly as Sweden seeks to play a stronger role in the harmonisation and alignment of its aid, it would seem possible to further simplify its own system so as to make it even more complementary to recipient country and other partner contributions to development (see, for example, Box 13 on delegated partnerships). The existence of the Policy for Global Development opens new possibilities in this respect. First, both the MFA and Sida (and other Swedish implementers of its ODA) can use PGD to review jointly the entire spectrum of their policies and guidelines, both to simplify and to prioritise. Second, as emphasis is increasingly placed on programme decision-making in the field, both the various procedural steps and the shape of organisation and staff in Stockholm and the field can be regularly reviewed and adjusted, as appropriate. Because of PGD, it would now seem plausible for Swedish government leadership to authorise even further simplification of the decision-making layers, while reshaping resources in a manner even more supportive of the field. Because of the “system” mandate given to the Sida Department of Policy and Methodology, it would appear to be well placed to review and advocate improvements in these areas.

Management of monitoring and evaluation

The Policy for Global Development once again sets the standard for Swedish monitoring and evaluation of its programmes of development co-operation. Under the heading of “Increasing the effectiveness of development co-operation”, PGD calls for more careful monitoring and evaluation and more results-based management, while suggesting that this can be achieved by: i) reviewing Swedish measures within the framework of the broad international agenda described in the eighth Millennium Development Goal (“develop a global partnership for development”) and the Monterrey Financing for Development Conference; and ii) reporting by means of the periodic, collaborative

assessments of aid impact on poverty in the individual countries or regions. Finally, PGD requests that the capacity of the developing countries to monitor their own efforts be strengthened wherever possible so that they can become the focal point of Swedish (and other partner) approaches.

Box 13. Delegated partnerships - how do they do it?

Sida has demonstrated an ability to implement its country development portfolios with a very small investment in staff, including the examples in Mali and Malawi noted below. This type of delegated partnership has been limited to date, but, because of Sweden's procedural flexibility, could easily lead to much more ambitious efforts in the near term.

In **Mali**, Sida decided in late 2000 to open a bilateral office in Bamako with only one professional for a growing programme, which began with a USD 5.5 million portfolio and now has attained USD 18 million per year. In the beginning, three initiatives were used: i) USD 5-7 million per year were invested in budget support for economic reform and poverty reduction, with the help of local colleagues from the IMF, the Netherlands and France. ii) USD 4-5 million per year was provided to the education sector programme through a delegated partnership with the Netherlands. Sida's Chief Controller made a special visit to The Hague to review Dutch reporting system standards and to agree upon their acceptability to handle Swedish funded programmes. An assessment of the Dutch embassy's programme was done by Stockholm. Reporting was semi-annual and the two sides met formally on an annual basis. iii) USD 1 million per year funded a UNICEF effort in child rights and the trafficking of children. Administrative details were handled by Stockholm, while the local Sida professional maintained dialogue at the level of Bamako. Reporting was handled directly by UNICEF.

In **Malawi**, the Ministry of Foreign Affairs and Sida agreed to increase support to Malawi following democratic elections in 1994. At that point, Sida's involvement was limited to support via Swedish non-governmental programmes. In 2000, Sida sent a special mission to elaborate a strategic approach for future Swedish development co-operation with Malawi, ultimately deciding to use a silent partner approach for the entire portfolio, which was delegated to the existing local mission of Norway. Similar to the Mali experience, the Sida Chief Controller was dispatched to Oslo before agreeing to use of the NORAD policies, procedures and reporting systems. Sweden and Norway then agreed upon a jointly funded country programme for Malawi as well as a Sweden-Norway legal agreement concerning common operational modalities. Sweden now invests USD 12-13 million per year in the programme run by the local Norwegian embassy. It has been estimated that this approach saves Sweden USD 1.5-2 million in annual operating costs. Norway now has reciprocated with a similar partnership with Sweden in Mali.

Already mentioned elsewhere, PGD stipulates that policies be guided on the basis of effective management by results and monitoring and evaluation. It requires that the government report to parliament on annual progress in implementing PGD policy. It suggests that operational targets set in specific country, regional or other planning documents will complement this policy level reporting. It further refers to the country or organisation's own national poverty reduction or development plans as a logical point of reference.

An important organisational reference for PGD is in the sub-section 7.2 concerning "learning". Here PGD requests that an independent evaluation agency be established, to ensure the credibility of evaluation activities. Current plans are to establish such an agency later in 2005, with the sole intention of evaluating Swedish development co-operation (both the MFA and Sida) and could have (yet to be determined) overlaps with the Evaluation and Internal Audit arm of Sida. It would seem important to design this new agency in a manner that best promotes learning from the overall Swedish experience and that encourages best use of the results.

Chapter 6 examines the country level perspective of Swedish monitoring and evaluation and concludes that it could usefully be enhanced beyond current levels, both given the international trend in this direction and because it would permit greater clarity in promoting more efficient aid management.

Personnel management

As with many DAC members, the Swedish aid system does not have a system-wide personnel plan for its development co-operation. This is compensated for by the fact that the vast majority of development specific expertise is centrally located in the same institution (Sida). Sida development staff totals 863 employees (733 permanent posts), of which 171 (about 20%) are stationed at embassies. Elsewhere, the development functions of the MFA (Department of Global Development and part of Department for Global Security) contains 66 professional staff (only 7% of total Stockholm staff) to which could be added a small number of embassy officials who consider development co-operation to be their primary occupation. Finally, the Division for International Financial Institutions of the MOF contains a complement of seven development-oriented desk officers in Stockholm.

Due to the fact that the average age of Sida's personnel is relatively high (34% over the age of 55), policies and procedures for new recruitments, to replace retiring staff, are being reviewed by the Sida human resources department. Another major challenge facing Sida in the years to come is to respond to increased ODA levels, while finding the administrative budget constant or even decreased. The possible use of new modalities, such as "delegated partnerships" (see Box 13) and sector or budget support are actively being examined and could have an important impact on reducing future staff needs.

The field, where emphasis now is shifting, should be highest priority for maintaining adequate staffing levels, the exact configuration of which can only be determined through feedback and dialogue between headquarters and the field. The balance of personnel between headquarters and field is also regularly under review and it may already be appropriate to further reduce Stockholm staff positions (and responsibilities) in favour of the embassies. Sida has identified the need to create incentives to encourage qualified staff from headquarters to move to the field, where the family environment may be less favourable. In any case, Sida will need to continue to seek out new, more cost effective and flexible approaches to the staffing of the field. The use of a regional base, such as that visited in Kenya, to cover a sub-set of countries and activities is one option. The improved use of local professional staff (National Programme Officers - NPOs) and the expanded use of local contractors are two options which are further discussed in Chapter 6. It would appear reasonable for Sweden to now consider delegation of authority for staff planning and personnel contracting to the field. Finally, the increasingly integrated nature of today's embassy suggests that all Swedish staff involved in development will increasingly need specialized development skills and experience which, for MFA employees, could imply supplemental training before taking up assignment. It also will be important to select ambassadors in the major recipient countries who have requisite levels of exposure to the issues of development.

Future considerations

- The core development co-operation collaboration between the MFA and Sida is sufficiently well anchored to invite discussion on newer forms of **operational relationships** that could permit even greater system efficiency and create more of a "team" environment. This is particularly true as Sida operations are increasingly delegated to the field in the context of integrated embassies.
- **Decentralisation** has been a major new direction in Swedish development co-operation and is of interest to the other members of the DAC. As Sweden continues to implement the new directives of PGD and to strengthen its approach to field leadership it will need to continue to reflect on the size, type, skill base and location of its professional development staff. It is

encouraged to continue its innovative work with harmonisation and alignment and other new programme approaches which permit quality implementation with minimal staff.

- Swedish development co-operation has an extremely well developed and integrated **strategy and programming** process. As it continues to implement PGD guidelines and requirements and to deepen its approach to decentralisation of authority to the field, it could usefully examine ways that the system could be further simplified to emphasise recipient country ownership, reduce paperwork requirements and encourage greater system transparency and efficiency.
- Sweden is reviewing possible reforms in the way it measures **results** of its aid. It is encouraged to examine these reforms in the direction of using increasingly integrated monitoring, evaluation, and other results based management approaches, so as to make its specific contribution to development more responsive and efficient.

Chapter 6

Field Operations

A broader field context

The Peer Review team visited Kenya (general development co-operation) and Burundi (humanitarian action) to review Sweden's development efforts in the area.¹⁵ Boxes 14 and 16 contain the key system messages summarised from these visits.

The historic rationale for Sweden's co-operation programme in Kenya has been to address issues of poverty, particularly in the country of Kenya. More recently the embassy's role has been strongly influenced by the problems of political instability in the broader region (Great Lakes, Somalia, Sudan). Sweden sees Kenya as a base of political stability and a motor for economic development in the broader region. This has led Sweden to take an interest also in regional co-operation, including an important development programme for Lake Victoria, work with the institutions of the East African Community (EAC) and a variety of other potentially important regional forums (*e.g.* New partnership for Africa's development (NEPAD), Common market for Eastern and Southern Africa [COMESA], Economic Growth, Agriculture, and Trade [EGAT], Nile Basin Initiative). The embassy currently is responsible for political reporting on Kenya, Burundi, Rwanda, Somalia, as well as different levels of oversight for the bilateral development activities in these countries, except in Rwanda, where a small office of the embassy, managed through Sida works Stockholm. The embassy in Nairobi is Sweden's largest embassy in Africa and the fifth largest in the world.

This historical and geographical set of circumstances has caused the Swedish embassy in Kenya to become a regional hub for a wide range of (often overlapping) strategic rationales for embassy operations. It has also put the region in the front lines of Swedish foreign policy in simultaneous contexts of difficult governance (fragile states, regional and local conflict, corruption), humanitarian and transition perspectives, as well as substantive bilateral and regional development co-operation in multiple areas of involvement. This broader context has evolved over the last two decades and its sum total gives the impression of being a compilation of multiple historical realities. It now would seem appropriate to reflect on the larger regional logic of the Nairobi embassy, so as to better rationalise, prioritise and align the scarce human and financial resources that have been allocated to it. As a medium-size donor with only modest direct national interests in the area, it not surprising that Sweden has chosen to assign its embassy in Kenya multiple tasks, many of which require integrated and cross-referenced behaviour on the part of its officials on the ground. This is a potential model for broader Swedish political and developmental presence elsewhere in Africa. The complexity of its mandate and the need for flexible and sometimes rapid decision-making on the ground confirm the wisdom of the recent agreement to fully delegate authority to the field.

15. Field visits to Kenya from 21 February to 1 March 2005 and to Burundi during the period 22-24 February 2005.

In Kenya, allegations of corruption and poor management over the 1990s created generally strained relationships between the government of Kenya (GOK) and the donor community, and led to the withdrawal of several donors and a reduction in resources by others. Sweden maintained a reasonably low developmental profile over this period, but was politically vocal. It used its presence to maintain pressure for local reforms and to encourage the government to give greater priority to the Kenyan people. The new and more democratic regime ushered in after the 2002 national elections (also supported by the Swedish government) now offers most donors the occasion to re-engage in Kenya and for Sweden to assume some important leadership roles in relation to good governance and greater social equity there.

Sweden's regional approach

A regional strategy for Lake Victoria Basin

The largest regional development initiative managed out of Nairobi is its support for the Lake Victoria Basin. Launched in 2000 with a 20-year time horizon, it was designed to support poverty reduction through an East African Community (EAC) regional action that also complements bilateral Swedish programmes in Uganda, Kenya and Tanzania (all of which bilaterally support the goal of poverty reduction). The first phase of the initiative disbursed a total of USD 20 million.

A second phase *Strategy for Swedish Support to the Lake Victoria Basin 2004-2006* (Swedish MFA, 2004c) was begun recently. Local ownership of the design of this effort was built around an EAC led process where a regional task force composed of members from each of the three East African countries developed EAC vision and strategy for management and development of the Lake Victoria Basin. Sweden was present as a "representative" and subsequently used the African-owned process to provide direct inspiration for its own intervention. The strategy designed by Sida and approved by the government proposes an allocation of USD 65 million during the five-year timeframe. Swedish support for the Nile Basin Initiative (NBI) will also be directed to the Lake Victoria region. The strategy identifies five areas of activity relevant to EAC policy priorities, all of which to relate to the economic, social and environmental aspects of sustainable in the region, and were chosen based on the value added they provide to the bilateral approaches in the individual EAC member states. These activity areas are: i) capacity building for sustainable development; ii) empowerment of communities and individuals; iii) a sound environment and sustainable use of natural resources; iv) combat against HIV/AIDS; and v) private sector development for economic growth.

The regional strategy for the Great Lakes and an assessment of Swedish support to Burundi

Another aspect of Sweden's regional approach is its support to humanitarian aid. Its support is outlined in a regional strategy for the Great Lakes,¹⁶ including country strategies for the Democratic Republic of the Congo (DRC), Burundi and Rwanda. Sweden is engaged in supporting regional solutions to the security and development problems pertaining to the Great Lakes region. The Government's engagement is reflected in its support to the UN Mission, in defining and implementing a common EU policy to the region and through bilateral relations. The main focus is on DRC and Rwanda, and the role in relation to Burundi is limited to following developments and to providing some humanitarian support. While the Embassy in Nairobi is asked to keep a high profile on the situation in Rwanda, it is instructed to maintain a low priority on Burundi.

16. (Swedish MFA, 2005), including country strategies for Rwanda, the Democratic Republic of the Congo and Burundi.

Sweden's engagement in Burundi (see Box 14) reflects a small but important contribution to the humanitarian situation there and to the transition process. Sweden's support to Burundi is considerable for a donor with modest aspirations. In 2004, Swedish support totalled more than USD 6 million, of which USD 5 million was contributed to humanitarian action and the remainder for democracy and human rights. Now that the prospects for peace are improving, Sweden logically could consider increasing its support to Burundi. This would require review of policy and modalities to put its strategy in synch with the broader partner programme for development there.

Box 14. Burundi field visit – Assisting a fragile state in a fragile region

Burundi is one of the poorest countries in the world, ranked 171 of 174 in UNDP's Human Development Index. Factors causing such poverty include extreme social and economic exclusion, poor governance, corruption and the armed conflict which has caused the death of some 300 000 people and displaced over 1.5 million persons. Today, out of a total population of 7 million, more than 350 000 people remain internally displaced and there are 500 000 refugees in neighbouring countries. 91% of the population live in rural areas where food security is deteriorating due to degrading natural resources, deforestation, soil erosion and land shortage. Most social services are provided by NGOs financed through humanitarian programmes. Burundi is making slow progress in the multiple transitional arrangements provided through the Arusha peace agreement, signed in 2000 by 19 parties of the conflict. The various processes of implementation include, transitional arrangements including local and presidential elections, demobilisation and disarmament of combatants, and improving government capacities. With the situation in Burundi continuing to threaten international peace and security in the region and acting under Chapter VII of the UN Charter, the UN established the United Nations Operation in Burundi (ONUB) to support implementation of the Arusha Agreement. ONUB is an integrated mission operating on an annual budget of USD 330 million with a total authorised strength of 5 650 military and civilian personnel.

Burundi receives little donor attention despite the alarming humanitarian and development situation. With reference to DAC guidelines for harmonisation and alignment, donors should reconsider the quantity and quality of their aid in order to build a responsible framework for development co-operation with Burundi over a 10-15 year perspective. As a result of the Good Humanitarian Donorship initiative, donors in Burundi agreed to improve exchange of information and co-ordination efforts. The Burundi 2005 CAP was selected as a pilot for developing a common strategic approach on humanitarian priorities and action. A Donor Humanitarian Strategy Forum was established to improve co-ordination and harmonisation and to develop a Common Humanitarian Action Plan (CHAP). Despite the improved quality of the CAP and the CHAP, donor volumes remain low and they fail to meet the expectations of increased funding of the CAP. This raises real concern for the donor community's commitment to Good Humanitarian Donorship. Sweden participated actively in the pilot and was one of few donors that followed through on commitments.

The Embassy in Nairobi is tasked to cover political developments in Burundi and reports to the MFA. Sida is responsible for the Humanitarian aid and development co-operation programme which is managed by two different departments at Sida (SEKA and DESA) under the supervision of the regional Africa department. Sida has managed its support through three models of field representation: In 1996–2000 Sida operated a small office in Bujumbura (one sent out staff from Sida and two locally employed). In 2002-04 monitoring was conducted by a regional humanitarian co-ordinator based at the Embassy in Nairobi, paid and managed by Sida. Since November 2004 Sweden operates through an arrangement with a Norwegian NGO where a part-time Liaison Officer is responsible for monitoring and follow-up of humanitarian action programmes. The arrangements raise serious questions as to Sweden's ability to deliver on its commitment as a donor to the transition in Burundi and, in relation to functions, it remains unclear how the Liaison officer may officially represent Sweden on a formal basis. While Sweden's contribution is well recognised the present arrangements are not satisfactory and send unclear signals to partners and other donors. Furthermore the NGO is also tasked with conducting other services for Sweden such as conducting interviews with asylum seekers and screening local candidates for Sida projects. This arrangement can not be viewed as optimal and appears to be an ad-hoc solution to a broader organisational issue of field representation in complex emergencies and transition situations.

Although support to Burundi is outlined in a regional strategy for development co-operation approved by the government, it is not contained in an official foreign policy statement for Burundi or the region. Sweden may want to rethink its regional engagement from a strategic and organisational perspective and could consider developing an overarching regional policy reflecting the regional

interdependency of security and development. Such policy could be developed against Sweden's changing role in Africa following the scaling down of development co-operation activities in Southern Africa. A clear regional policy would assist in setting objectives, making priorities and allocating resources. The complex issues of relationships between MFA, the Embassy and Sida need to be addressed in particular with regards to field representation in Burundi. An optimal solution for Burundi could provide an interesting example for flexible solutions for engagement in similar situations. Delegated partnership also could be explored in this context.

Sweden's bilateral approach in Kenya

Kenya provides a difficult short-term environment for aid but over the longer term has the potential to generate important development benefits for itself and the East Africa region. Over the last decade, its economy stagnated, service provision deteriorated and the proportion of people below the national poverty line rose from 48% (1990) to 56% (2001). Nevertheless, it has a relatively well educated and trained workforce and a growth potential, including tourism and natural resources. Donor analysis, including that of Sida, identified the "root cause" of Kenya's developmental reversal over the 1990s as the emergence of abusive patronage, and consequent corruption, misuse of funds, weakened public institutions and the creation of an environment which precluded the emergence of a robust private sector. Soon after the 2002 elections, the new Kenyan government initiated a number of promising actions to redress these problems, including an ambitious Economic Recovery Strategy for Wealth and Employment (ERS), which offered a strategic framework for aggressively combating corruption and promoting poverty reduction and economic growth. Sida was preparing its new five-year Country Strategy at the time and seized the opportunity to make ERS a primary reference (see Box 15 for reference to Sida policy on the combat against corruption).

Box 15. Sida's focus on corruption

As an obstacle to development that seriously affects the poor, corruption is incompatible with the objective of Swedish development co-operation. Corruption also dissuades donors from investing scarce public funds and is a major impediment to the development of a vibrant local private sector.

Sida has decided to elevate the combat against corruption as a strategic priority in the years 2005-07, particularly in the context of possible public perceptions of misuse of Swedish development funds. Work against corruption is also pursued by the MFA, primarily at the level of Corporate Social Responsibility. In March 2002, the Prime Minister launched the Swedish Partnership for Global Responsibility initiative, itself based on OECD Guidelines for Multinational Enterprises and the UN Global Compact. In reinforcing its combat against corruption, Sida will focus on four areas: internal integrity and ethics; protecting Swedish funds in projects and programmes; strategic interventions to help partner countries deal with the problem; international co-operation. It will also step up its work on risk analysis, assessment and risk mitigation and undertake special measures to increase awareness among field staff on corruption prevention, counteraction and detection. The documents *Sida's anticorruption regulation* (Sida, 2004a) and *Acting on suspicion of corruption* (Sida, 2003a) provide concrete guidance in this regard.

A locally designed strategy

The Swedish government decided in 2004 upon a *Country Strategy for Development Co-operation with Kenya 2004-2008* (Swedish MFA, 2004a). This 30-page, concept document focuses on democratic governance and human rights, gender equality and popular participation in the national decision-making process. Implementation was to be based on a three pronged approach:

- Dialogue at all levels, politically and within programmes.
- Mainstreaming of democracy and human rights concerns in all programmes.

- Direct support for measures promoting democratic governance with the aim of strengthening access by the poor to their rights and promoting needed reforms.

It concludes by suggesting strategic Swedish involvement in four broad and sometimes overlapping programme areas: i) pro-poor growth - especially agriculture, roads, regional and global economic co-operation, legal sector reform, budget support; ii) social development – especially, civil society, HIV/AIDS, health, water, children; iii) sustainable management of natural resources, especially water, roads, environmental protection, land rights; and iv) democratic governance, especially, democratic reform, justice for the poor, democratic culture, informal urban settlements. The aggregate funding level mentioned for the five-year period was set at SEK 730 million (est. USD 150 million).

This strategic process which produced the Country Strategy was led by the Sida staff in the embassy, in collaboration with technical and regional staff in Stockholm. Sweden encouraged Kenyan **ownership** of the strategy at an early stage by extensively discussing a “hypothesis paper” with a small group of government, civil society and others. The embassy today hopes to achieve even greater ownership of the next Swedish strategy by promoting a joint strategy with other partners upon expiration of the current strategy in 2008.

In its early efforts to shape the future concepts of the strategy, the embassy paid attention to the numerous guidance and policy statements produced in Stockholm by Sida and the MFA, but particularly the new **Policy for Global Development**. The strategy therefore utilises language specific to poverty and rights based perspectives. Local staff found this to be a straightforward effort since these considerations were considered critical for a Kenya programme even before the PGD.¹⁷ It is perhaps unfortunate that the variety of other national and regional considerations (“think regionally and act nationally”) which forms the current rationale for much of the embassy did not figure as background to the bilateral strategy. More explicitly laid out, this could have influenced the integration of the MFA and Sida priorities into joint embassy operations.

Making strategy more operational

The Kenya Country Strategy is clearly a concept document. It contains only modest information about project or programme level action, specific operational priorities, or even financial information beyond the general reference to a five-year lump sum. Of more operational importance is the annual *Country Plan for Development Co-operation with Kenya 2005* (Sida, 2005), the current version of which is for 2005. The Country Plan, which was largely a product of Stockholm-Nairobi negotiation, is more specific but brief. This twelve-page document (not including short annexes on Financial Planning, a programme for country dialogue, key features in the short and medium terms, etc.) provides a more specific description of sectors of intervention, of which there are twelve “priorities”: rural development; sustainable use of natural resources; environment; urban; financial management reform; health; HIV/AIDS; democratic governance; water and sanitation; roads; public financial management; budget support. This plan suggests that over the medium-term (2006-07) country allocations could be almost doubled to SEK 450 million (USD 56 million).

17. One observation made by the team with respect to using the rights based approach too rigidly was noted in our field trip to Nyanza Province, where we visited a small sample of road alignments and extension sites that appeared to have been chosen with more reference to “rights” than to some (sustainable) economic logic. As appropriate as a rights perspective may be at the strategic level in a country like Kenya, this seemed to suggest that the practical utility of this concept at the grass roots level merits more careful definition.

Box 16. Kenya field visit – A growing development co-operation partner

Sweden, both at the political and developmental level has attempted to support domestic drivers of change and to provide advice and ideas for reforms that are genuinely owned by broader Kenyan society. As with many donors, Sweden reduced its funding in the 1990s and made civil society a key target for assistance. It reversed that trend following the promising 2002 elections. The Swedish embassy in Nairobi now uses its growing resource base to address a wide range of developmental issues, be they political or economic, bilateral or regional.

The following development co-operation “system” messages were retained from this visit by the Peer Review team:

1. **CONTEXT:** i) It would be useful to understand the political rationale for Sweden’s presence in the larger “East African” region. Such an over-arching strategic framework would help to select modalities against different objectives, to better identify issues of policy incoherence and to help with resource and allocation decisions. ii) In Burundi, Sweden needs to consider an explicit strategy for engagement which reflects Sweden’s highly credible voice in local dialogue on humanitarian and transition (political and developmental) issues.

2. **STRATEGY:** i) Sweden’s sophisticated approach to strategy in Kenya, with many sectors and cross-cutting issues could be simplified around a smaller number of priority themes where Sweden perceives a comparative advantage (e.g. human rights, governance) and where Swedish insight and impact could be deepened. ii) Stockholm should think about the periodicity of current semi-annual and annual strategy reporting and how these reports can be used better to engage the embassy in development dialogue. iii) The embassy has mainstreamed the new requirements of the PGD. The rights based approach inadvertently may have been driven too far into the details of implementation (e.g. roads or extension) by local officials.

3. **PROGRAMME SIZE:** i) The primary strength of Swedish aid relates to its ability to intermediate and foster common ground among partners. ii) Greater volume will require different kinds of management and staff, irrespective of the modality or delegation to umbrella NGOs, local institutions, or contractors.

4. **HARMONISATION AND ALIGNMENT:** Sweden has made a significant contribution to the harmonisation agenda through its chairing of the Harmonisation, Alignment and Co-ordination (HAC) initiative. Sweden is encouraged to use the tools of harmonisation and alignment wherever feasible, perhaps initially with the “like-minded” donors, or within the context of the EU.

5. **DECENTRALISATION:** i) Full delegation of authority to Nairobi has permitted Swedish aid to be more flexible and effective. Further improvements that would help operational efficiency include the consolidation of the 17 different budget lines which can be flexibly managed from the field and delegation of all personnel matters to the field. ii) Headquarters (Sida and MFA) could use its Quality Assessment system to regularly review the strengths and weaknesses of the decentralised approach. iii) The embassy has introduced a number of local aid management innovations (e.g. Management Development Group, RAPP and MANIAC, etc.) which are yet to be institutionalised. These innovations merit the regular attention of MFA and Sida, and would be of interest to other field posts, as well. iv) Urgent attention should be given to modernising outdated management tools (e.g. the labour intensive “PLUS” financial management system; computer hardware and software).

6. **STAFFING:** i) The current integration of diplomatic and development personnel in the embassy merits greater clarity concerning their respective roles. This would improve burden sharing and overall management efficiency as the embassy functions as one team. ii) The use of qualified National Programme Officers is an attractive option, but current approaches give NPOs little incentive to remain motivated for more than a few years.

7. **RESULTS:** The embassy has a long-term results perspective, but has not cultivated a more systematic use of results indicators in its operations. Properly used, results-based management can sharpen the focus of local activities and enhance dialogue within the embassy and with partners.

8. **CIVIL SOCIETY:** NGOs have been important partners for Sweden to understand and combat poverty. Future relationships with NGOs will now be built around administratively simpler umbrella intermediary arrangements. The embassy will wish to pay special attention to the relationship so as to avoid a Nairobi-centric perspective.

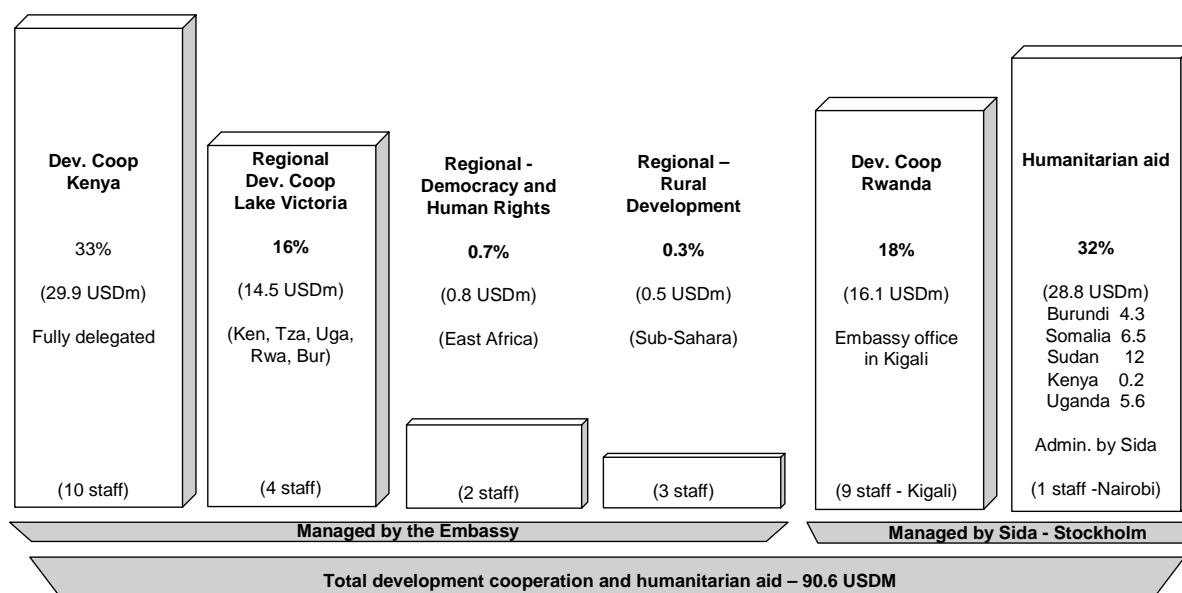
The simplicity and brevity of the Kenya Country Plan appeared also to be its strength. Its structure helps to keep the Nairobi-Stockholm dialogue at a level of generalisation which permits considerable flexibility in implementing the Swedish agenda in country. On a less positive note, it does not provide special insight into the specific targets and tasks that the field assigned itself for 2005, making it correspondingly difficult to report back on operational performance over the implementation period (see section on “Monitoring and Evaluation”).

Field organisation

Organising around multiple objectives

Field organisation for Swedish development co-operation is integrated into the ongoing responsibilities of the Nairobi embassy, the general organisation for which is illustrated in Figure 5. As of January 2005, Nairobi became a “fully-delegated” Sida mission, with the authorities and responsibilities inherent in that status.¹⁸ The overall Nairobi embassy maintains a level of 19 Swedish professional staff and six local professional staff (National Programme Officers). Of this total, those professionals dedicated to development co-operation include the Ambassador (part-time), the Kenya Development Co-operation Unit (five Swedish, three local), the Regional Development Co-operation Unit (five Swedish, two local) and varying parts of the time of the other staff. As was noted previously, the basic rationale for the presence of the embassy in Nairobi is essentially to carry out bilateral or regional development co-operation, although other important tasks include backstopping of United Nations environment programme (UNEP) and United Nations Human settlements programme (UN-HABITAT) (headquarters in Nairobi), and regular political, commercial and consular actions.

Figure 5. Development Co-operation in the Embassy of Sweden Nairobi



18. According to the *Sida Vision for a Strengthened Field Orientation* (Sida, 2004b), the prerequisites for full delegation of authority to the field are: i) country strategy; ii) agreed country plan; iii) local Quality Assurance system in place; iv) sufficient staff; v) long-term co-operation. Once agreed to by Stockholm, a fully delegated mission is authorised responsibility for and co-ordinates all country programme management. It is responsible for initiation, planning, preparation, decision-making, implementation, follow-up and quality assurance of Swedish aid.

Source: Embassy of Sweden in Nairobi, 2005.

Integrating Sida and local staff into the embassy

Sida (and development co-operation) is fully integrated into the embassy. On the surface, integration appears fairly complete in Nairobi, and the extensive development experience of the Ambassador greatly facilitates the collaboration of diplomatic and development staff on key questions of development co-operation. Nevertheless, individuals on both sides expressed the opinion that they were not always clear on how best to employ their skills in relation to the other functions within the embassy.¹⁹ This is not surprising given that headquarters staff in MFA and Sida (see Chapter 5) is similarly not fully integrated, even though they both represent Swedish official development co-operation. Given the very different functions of diplomacy and that of development, it would seem reasonable not to attempt to totally integrate both perspectives – but rather, to focus attention to their more complete co-ordination around a cohesive “team” approach at all levels. The cohesiveness in the field would undoubtedly be facilitated by a similarly structured team organisational approach in headquarters.

One new area that would directly benefit from a better integrated embassy is that of **policy coherence** for development, where the diplomatic and developmental worlds converge. The PGD foresaw the field playing a growing role on this important topic. While the involvement of the field admittedly is still a new direction in Swedish policy, the embassy in Kenya has yet to figure out a useful and efficient approach to it. Reflecting on how this policy could be deployed in both bilateral and regional strategies and activities is a potentially important action for both Stockholm and Nairobi to undertake.

In the context of full delegation, and given government-wide resource limitations of the Swedish government, the use of locally-hired **National Programme Officers** (NPOs) is attractive. Kenya makes use of five NPOs, all of whom are mandated to function professionally in the same manner as their Swedish counterparts, with the exception that they cannot authorise use of Swedish funds. NPOs feel that they are well integrated into embassy operations and appreciate the fact that most internal communications are now in English, including Sida procedures and regulations. NPOs initially are competitively hired based on their technical competence (*e.g.* civil engineer for a roads activity) but once they have proved themselves, they are given responsibilities in other areas, as need arises. It would seem useful for Sida to consider hiring NPOs with skills that are less technically specific, particularly those with more general skills in portfolio management. NPOs are not hired with Sida career objectives in mind and tend to move elsewhere after a few years of service. More attention to providing career opportunities (perhaps a Sida employment “cone” specific to local staff, as is done by some donors), including a system of performance-based incentives, could help motivate these valued employees over the longer term. The fact that NPOs only rarely had the opportunity to travel to the field and were heavily engaged in moving local paperwork suggests that attention could be paid to more systematic use of their special local comparative advantage (*e.g.* local language, ability to understand local perspectives).

19. Within embassy development operations, a Quality Assurance Committee report in 2004 also concluded that the bilateral and regional sides of Sida had complementarities which merited similar attention.

Country implementation

Aid modalities, present and future

The GOK officially prefers that donors use budget support and basket funded sector modalities in implementing their programmes for Kenya. However, concerns over the reliability of GOK management, particularly financial management, have caused donors to be wary of the less transparent budget support mechanisms. Substantial reforms have now been launched by the new government and the donor community, working through its Donor Consultative Group (**DCG**), has begun to plan new forms of activity programming and budgeting.

Over the long term, Sweden has ambitious plans to adjust its implementation approach to the evolving realities of Kenya. It also sees its role as one of encouraging other donors to engage the GOK in a similar forwarding looking dialogue. Current thinking includes

- Encouragement for a joint donor strategy, formulated directly in collaboration with the government's Economic Recovery Strategy.
- Joint donor implementation of sector programmes and general budget support.
- Joint donor-Kenyan monitoring and evaluation of impacts and results.

Sweden also seeks to identify institutional areas within the GOK and local civil society organisations where it can undertake targeted capacity building and so as to support of the transfer of management responsibility away from donors and progressively toward local partners.

Perhaps Sweden's most influential Kenyan activity in support of this change process is the Governance Justice and Law and Order Support – "**GJLOS**" process (see Box 17). GJLOS was one of the first concrete actions generated by the Economic Recovery Strategy. It espouses a vision of "a safe, secure, democratic, just, corruption-free and prosperous Kenya for all". As noted previously, GJLOS is the major area of involvement for one Sida professional (who chairs the donor sector sub-group) and one locally recruited, part-time consultant. While Sweden (and other participating donors) feels that it is engaged in an activity of front-line importance, it also expects that the administrative responsibility that it carries can be reduced as responsibility for management is progressively transferred to the GOK.

Box 17. Sweden's role in governance in Kenya

Kenya has been described by some as one of the worst examples of post-colonial patronage and corruption in Africa. Locally, many speak of the 1990s as Kenya's "lost decade" for development. During that decade, many donors reduced funding, transferred it to civil society groups, or simply withdrew their presence altogether.

The 2002 national election was an opportunity for renewal and change. The new government's Minister of Justice invited donors to work with him in reforming national governance and legal systems, including the issues of human rights and corruption. As work was undertaken to shape an interim, short-term plan for reform (2004-05), Sweden was elected to chair a 17-donor co-ordinating forum, the "GJLOS" (Governance, Justice Law and Order). The short-term plan included a USD 30 million donor funding package, some two-thirds of which consisted of Kenya's first sector basket fund. The fund functioned with a common work plan, common donor-government agreements and, because of concerns regarding corruption, funds were managed by an independent agent. Common financial reporting is furnished by the agent and an external "monitoring advisory team" provides regular insight into the realities of implementation. Common reviews of implementation are held every six months. GJLOS is now approaching the end of its first year and preparations are now almost complete for a second, five-year phase. Achievements have included a variety of major national legal and institutional changes and a general perception that reform of governance and justice is finally taking hold. Encouraged by

progress to date in the justice/governance area, donors now are restarting long stalled plans in development.

From a programming perspective, GJLOS is considered a model by many donors in Kenya, including Sweden. All 17 donors who fund this process use the same sector strategy (the first in Kenya), the same protocol agreement with the GOK, the same implementation approach (including common use of the financial management intermediary) and undertake common oversight processes and reports. This is quite a remarkable achievement given the suspicion and poor collaboration that characterised the previous decade of relations with the GOK.

Innovations in internal operations

Development leadership within the embassy has created systems of programming management that are thorough and structured. This may have been due, in part, to the special management scrutiny (including Stockholm's major Quality Assessment in 2004) that came with assignment of "fully delegated" status. Currently, Sida's development operations are planned and reviewed on a regular basis and from several different perspectives. This includes **Sida bilateral activities** (weekly staff meetings; trimester Country Plan tracking retreats), **Sida regional activities** (retreats including Uganda, Tanzania and Rwanda), **embassy-wide activities** (Monthly Development Group chaired by Sida; semi-annual retreats on the embassy work plan, including a Dialogue Plan; Communication Plan; Competence Plan; Quality Improvement Plan). To ensure cross-cutting oversight of all programmes, the embassy maintains an active Quality Assessment Committee to review all programme actions and to ensure that they are fully compliant with latest guidance from Stockholm and best local analysis and professional judgement.

The embassy also has a carefully defined dialogue strategy which supports improved communications in three mutually reinforcing actions:

- In its development programmes.
- Through the Mainstreaming in Action (MANIAC) project which promotes the mainstreaming of key embassy themes such as democracy and human rights, sustainable development peace/conflict resolution and HIV/AIDS.
- Through the Rich and Poor Project (RAPP) which is concentrated on the topic of "equality for growth".

Multi-theme strategy, sector and cross-cutting approaches, activism and even leadership within selected sectors and thorough management systems all combine to leave the local development organisation within the embassy with an extremely heavy individual and collective workload. Current attempts to reduce this workload focus on the use of intermediary administrative arrangements (NGO or UN umbrellas, contractors, delegated partnerships or sector/general budget support). Now that the embassy has shown that it has performed at very high levels and gained the respect of its peers, it could be a good moment to reflect on ways in which routine administrative workload on the individual programme officer can be simplified while better prioritising areas of strategic focus. Given the extremely flexible procedures used in the Swedish system and its strong presence in the field, this would hold promise for improving the quality of the workplace for staff while deepening the development impact of Sweden's contribution to Kenya.

Seen as a testing ground for innovation in management, the Kenya experience holds the potential to provide multiple insights into Sida operational approaches, especially in a context of full delegation of authority. Curiously, the Kenya mission has not been designated even as a pilot or experimental

field mission. Neither is Stockholm actively monitoring the multiple innovations taking place in Kenya, nor are these innovations regularly shared with sister missions elsewhere who may take an interest in similar types of programme reform.

Monitoring and evaluation – process vs. impact

Sweden's substantive approach to development co-operation in Kenya is very much oriented to fixing the abuses of a society where misuse of power excessively privileges the elite to the detriment of the poor. This focus on social and cultural "processes" over a longer timeframe also has left the embassy with an operational approach which does not focus extensively on the measurement and reporting of traditional results indicators, particularly at the impact level.

While Sweden does require standard monitoring of project and programme implementation, including financial accounting for the use of funds, these responsibilities are generally delegated to another party – for example, a consultant or firm responsible for technical implementation of a project, or a special intermediary, another donor or the government itself in the case of a programme approach. The embassy programme officer (including NPOs) is expected to play an active role in reviewing progress reports or regularly scheduled evaluations. However, it is not systematically clear how the information obtained will be subsequently used. Only the broadest lessons learned are contained in the semi-annual and annual Country Plan reporting. Nor does Stockholm insist upon a clear set of results indicators for which the field mission will be held accountable over a set timeframe. Given the emphasis that is now being given to results-based reporting and management, it would seem prudent for the embassy to proactively consider a more explicit (and simple) results reporting framework, probably in the context of the annual Country Plan. The development of this more contractual form of relationship between Nairobi and Stockholm could also be used to maintain a more structured dialogue on questions of strategy and collaboration between these two ends of the Sida system.

The special issue of harmonisation and aid effectiveness

A context of Swedish activism

Sweden took an activist role in relation to harmonisation and alignment immediately after the 2003 Rome Declaration. The 2003 Policy for Global Development contains clear commitments to harmonisation and alignment and provides the political rationale for this approach. The annual report back to parliament contains a section on harmonisation. Leadership of Swedish development co-operation quickly realised that it could take advantage of Sweden's flexible implementation procedures and its longstanding belief in recipient country ownership to promote these concepts in practice.

Internationally, Sweden has taken a strong role in promoting harmonisation and alignment in the DAC, EU and other multilateral forums. Within Sweden, focal points for harmonisation have been assigned in the MFA (Department for Global Development) and Sida (Department for Policy and Methodology), who have a mandate "to guide, co-ordinate and support" implementation of the approach. Key operational actions undertaken include a *Harmonisation Action Plan* for Sida (Sida, 2003b), a variety of circulars to field offices and Sida departments requesting information on obstacles that prevent implementation of the Harmonisation Action Plan, specific encouragement for agreements with other agencies ("stealing with pride") which delegate Sweden's implementation of development in a more harmonised manner, and a range of special presentations. This has led to a number of country level programme innovations, including those in Mali and Malawi (see Box 13, Chapter 5) and full participation in the well-known Zambia "Harmonisation in Practice" action. Sweden would now seem well placed to build more broadly on these pilot programmes, perhaps in the short term with

the core of “like-minded” donors, and possibly in the medium term within the context of the European Community. A detailed self-assessment of Sweden’s progress in implementing the Rome Agenda was completed in 2004 and is located in Annex F.

In Kenya, ownership of Sweden’s development programme is a highlight of its approach there. As noted earlier in this chapter, Sweden deliberately attempts to work through, and build the capacity of, Kenyan national systems at every level. It has actively encouraged greater donor harmonisation and to the extent prudent to do so in the current country political environment, works with other donors to progressively align its programmes with those of Kenyan government. The issues of harmonisation and alignment appeared on the Kenya priority agenda soon after the 2003 Rome Declaration.²⁰ The government Country Strategy for Kenya (2004-08) notes the importance of focusing on “donor co-ordination and harmonisation” in light of the new Kenyan ERS and its clearer ownership of poverty reduction strategies. Subsequent annual Country Plans for Kenya pick up on this theme, which is tracked in the semi-annual and annual country reports back to Stockholm.

From harmonisation to alignment?

In Kenya, Sweden currently is the acknowledged leader among donors in issues of harmonisation and alignment. In 2004, the Development Co-operation Group (DCG) elected Sweden to be chair of its sub-group on Harmonisation, Alignment and Co-ordination (HAC), with terms of reference to implement the recommendations of the Rome Declaration.²¹ To address its considerable workload, the HAC established a small Secretariat, housed in the local International Bank for Reconstruction and Development (IBRD) office and run by a senior international consultant and local research assistant and secretary.

The substantial knowledge of the issues of development brought to the job of HAC Chair by the Swedish Ambassador (previously Director General of Sida in Stockholm) has been important to the rapid progress obtained by this group. In its initial year, HAC set up an approach to joint collaboration on future country assistance strategies, developed terms of reference for its 14 sector sub-groups, produced a partnership principles document, established a common reporting framework for sector programmes and proposed an improved Consultative Group pledging process. In the words of the Ministry of Finance “The formation of the HAC group has proved to be a critical link ... in terms of deepening dialogue and collaboration in pushing the harmonisation agenda forward.” Local donors echo this commentary and quickly add that it would not have been possible without the informed leadership of the Swedish Ambassador and his team.

Because of its dynamism over the last year, the HAC group now appears to be entering a new phase of its existence, in some ways even getting ahead of its less operationally active parent group,

20. At the Rome Forum in 2003, Kenya was selected as one of the pilot countries for the harmonisation agenda. In response, the Ministry of Finance (External Resources Department) led an Inter-Ministerial Task Force which subsequently made recommendations to donors in the areas of technical assistance, procurement, finance and budgeting, administration and monitoring and evaluation. In 2004, this has led to the foundations of GOK-donor collaboration on the topic, in the context of two joint working groups (Budget Support and Joint Technical Working Groups) which focus attention to the creation of conditions for budget support and SWAp arrangements, both of which are the GOK preferred modes of development assistance.

21. The terms of reference of the HAC describe its objective as: “To increase the effectiveness and efficiency of aid and reduce transaction costs to the government by avoiding duplication of work, simplifying and standardising procedures, and supporting development partner efforts to align their support with mutually agreed development priorities to the extent possible.”

the DCG. This year's agenda, collaboratively carried out with a range of local donor support (UNDP, Japan, United Kingdom Department for International Development [DFID], United States Agency for International Development (USAID), European Community) will reach to more clearly anchor partnership structures at the sector level, to implement the Partnership Principles Document, including possible future joint country analysis and to provide commonly agreed upon standards at the level of donor practice, including common reporting frameworks. Efforts at donor harmonisation in Kenya now appear well launched, although taking next steps in moving from harmonisation to alignment will depend largely on the ability of the GOK to convince donors that it is making real progress in combating the practice of corruption and fostering greater democratic decision-making.

Future considerations

- In the specific case of the Kenya embassy, Sweden is encouraged to develop its **regional vision** for East Africa so as to better situate the operational implications (funding channels, sector focus, use of civil society) of the embassy within it. This could potentially be a model for other complex embassy operations in other regions of Africa.
- Decentralisation of authority to the field permits Sweden to play a role in development co-operation far beyond the ODA volumes that it can provide. Stockholm could usefully re-examine, on a regular basis, the **status of its field operations**, how it could be made better and the organisational trade-offs between headquarters and the field that may be necessary to create an optimal Swedish "team" environment.
- **Staffing**, especially in the current context of greater decentralisation of authority to the field, should be an ongoing preoccupation of Sweden. Examples include staff planning, well in advance of field needs, consideration for some form of special status for local professional staff and better delegation of personnel and technical consultant contracting authorities to the field. Because of the important role Sweden plays as an intermediary among partners in the field, it will be key to place staff in the field (including the Ambassador) with the high level development skills and experience necessary to play this role.
- Sweden will need to pay greater attention to the measurement and reporting of **results** in its field operations. Such reporting can be process-oriented, but should be sufficiently explicit and measurable so as to tell the story of Sweden's role and impact.
- Sweden's approach to **harmonisation and alignment** of its aid is well advanced and offers both higher level political lessons to other DAC members as well as those at the level of implementation. In the specific context of Kenya, Sweden has been able to play a remarkable leadership role in fostering this approach among the donor community there. Sweden can continue to work systematically with other donors who already are able to generalise their joint involvement in delegated partnerships.

Annex A

The 2000 DAC Peer Review and Sweden's Achievements

Key Issues	Concerns Expressed in 2000	Progress Achieved
ODA level	Encourage re-instatement of 1% ODA/GNI target.	1% target re-instated, and is expected to be reached in 2006.
Long-term co-operation countries	Sweden has bilateral co-operation in 112 countries, but less than one-half of ODA goes to long-term countries. Urge clarification of long-term status and share of its ODA allocation.	Sweden's bilateral ODA was spread over 111 countries in 2003. Clarification and concentration is still needed.
Poverty reduction goal	Because of strong support for development partnership strategy, suggest Sweden reconfirm poverty reduction as its overarching goal.	Poverty reduction reconfirmed as the overarching goal of Sweden's development co-operation in the 2003 Policy for Global Development.
Focus on results	Encourage greater attention to results based management, including the explicit use of the International Development Goal (IDG) indicators and establishment of an overall monitoring system for cross-cutting issues, especially poverty reduction.	Sweden has chosen not to incorporate IDG (MDG) indicators into its aid programme, for methodological reasons, but runs a public campaign in support of a co-ordinated effort to reach the MDGs. Sweden has yet to establish a comprehensive monitoring system.
Operational decentralisation	Supports the preparation of a plan for expanding the decentralisation and delegation of authority to field offices.	Sweden has actively worked on delegation of authority to the field. Sida now maintains 15 "fully delegated" field offices.
Policy coherence	Encourage stronger mechanisms and staff skills relating to policy coherence.	PGD provides a very good framework for policy coherence. Current attempts to implement the PGD approach will show whether staff skills and ownership are sufficient.
Evaluation	Suggest strengthening of appropriate ways to follow-up on the findings and recommendations from recent study on the usefulness of evaluations.	PGD proposes the establishment of an independent evaluation agency.

Annex B

OECD/DAC Standard Suite of Tables

Table B.1. Total financial flows

USD million at current prices and exchange rates

		<i>Net disbursements</i>						
Sweden		1987-88	1992-93	1999	2000	2001	2002	2003
Total official flows		1 487	2 327	1 726	1 920	1 785	2 119	2 491
Official development assistance		1 454	2 114	1 630	1 799	1 666	2 012	2 400
Bilateral		965	1 554	1 146	1 242	1 205	1 271	1 779
Multilateral		490	560	484	557	461	741	621
Official aid		32	201	99	122	119	107	127
Bilateral		9	165	94	119	113	100	105
Multilateral		23	35	6	3	6	7	22
Other official flows		1	12	-3	-1	0	0	-36
Bilateral		-	12	-3	-1	0	0	-36
Multilateral		1	-	-	-	-	-	-
Grants by NGOs		113	130	71	26	16	19	23
Private flows at market terms		480	470	2 407	3 861	1 689	-1 062	- 526
Bilateral: of which		480	464	2 407	3 861	1 689	-1 062	- 526
Direct investment		119	27	1 798	2 773	867	- 991	240
Export credits		361	432	609	1 088	821	- 70	- 767
Multilateral		-	6	-	-	-	-	-
Total flows		2 080	2 927	4 204	5 807	3 490	1 076	1 989
<i>for reference:</i>								
ODA (at constant 2002 USD million)		1 452	1 692	1 450	1 752	1 795	2 012	1 955
ODA (as a % of GNI)		0.87	1.01	0.70	0.80	0.77	0.84	0.79
Total flows (as a % of GNI)(a)		1.22	1.32	1.24	1.76	1.42	0.93	0.42

a. To countries eligible for ODA.

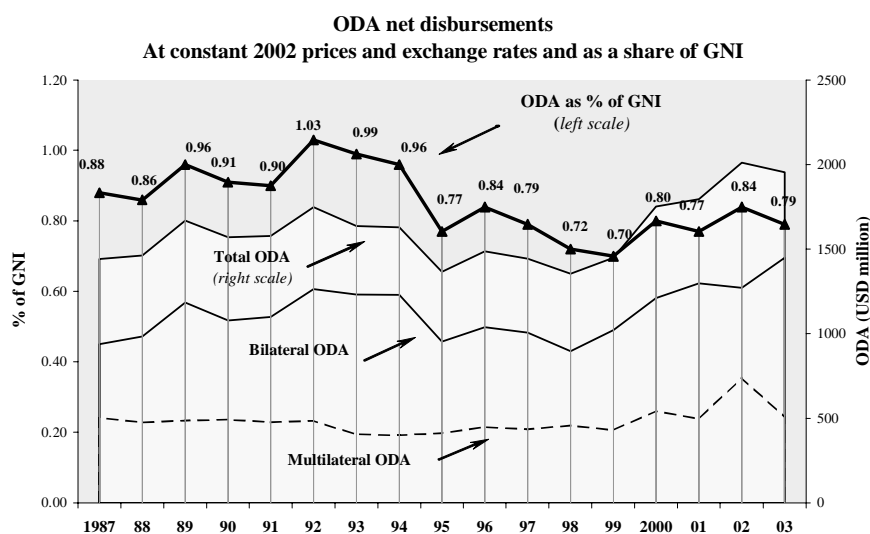
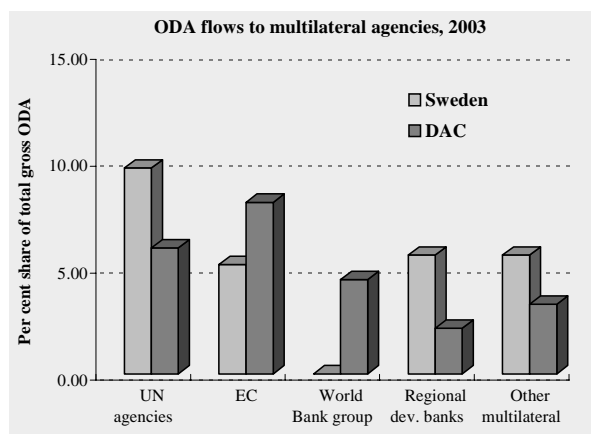


Table B.2. ODA by main categories

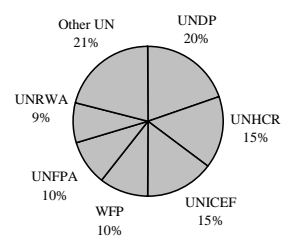
Sweden	Constant 2002 USD million					Per cent share of gross disbursements					Total DAC 2003%
	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003	
	1 020	1 210	1 298	1 271	1 449	70	69	72	63	74	
Gross Bilateral ODA	1 017	1 190	1 277	1 262	1 428	70	68	71	63	73	64
<i>Grants</i>											
Project and programme aid	531	580	660	675	692	37	33	37	34	35	13
Technical co-operation	42	68	61	68	75	3	4	3	3	4	24
Developmental food aid	-	-	-	-	-	-	-	-	-	-	2
Emergency and distress relief	241	258	261	302	315	17	15	15	15	16	7
Action relating to debt	29	37	47	0	134	2	2	3	0	7	11
Administrative costs	80	81	75	74	81	6	5	4	4	4	4
Other grants	95	166	172	144	130	7	9	10	7	7	4
<i>Non-grant bilateral ODA</i>	3	19	21	9	21	0	1	1	0	1	12
New development lending	-	18	21	9	21	-	1	1	0	1	9
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	2
Acquisition of equity and other	3	1	0	-	-	0	0	0	-	-	1
Gross Multilateral ODA	430	543	497	741	506	30	31	28	37	26	24
UN agencies	197	242	294	225	188	14	14	16	11	10	6
EC	80	81	121	83	100	6	5	7	4	5	8
World Bank group	93	147	-	359	-	6	8	-	18	-	4
Regional development banks (a)	57	65	64	70	108	4	4	4	4	6	2
Other multilateral	3	9	17	3	109	0	0	1	0	6	3
Total gross ODA	1 450	1 753	1 795	2 012	1 955	100	100	100	100	100	100
Repayments and debt cancellation	-	-0	-	-1	-	-	-	-	-	-	-
Total net ODA	1 450	1 752	1 795	2 012	1 955						
<i>For reference:</i>											
ODA to and channelled through NGOs	325	276	266	272	261						
Associated financing (b)	-	41	55	8	21						

a. Excluding EBRD.

b. ODA grants and loans in associated financing packages.



Contributions to UN Agencies (2002-03 Average)



Contributions to Regional Development Banks (2002-03 Average)

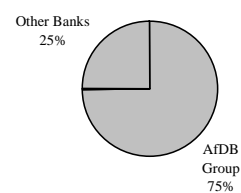


Table B.3. Bilateral ODA allocable by region and income group

Sweden	Constant 2002 USD million					Per cent share					Total DAC 2003%
	1999	2000	2001	2002	2003	1999	2000	2001	2002	2003	
	<i>Gross disbursements</i>										
Africa	284	344	319	327	462	46	45	42	46	54	40
Sub-Saharan Africa	280	341	314	323	459	45	45	41	46	54	35
North Africa	4	4	5	4	3	1	1	1	1	0	5
Asia	128	179	207	157	183	21	23	27	22	21	34
South and Central Asia	62	82	108	79	99	10	11	14	11	12	17
Far East	66	97	99	78	83	11	13	13	11	10	17
America	106	132	121	103	92	17	17	16	15	11	11
North and Central America	82	99	83	70	59	13	13	11	10	7	4
South America	24	33	38	32	34	4	4	5	5	4	7
Middle East	34	45	30	38	42	6	6	4	5	5	9
Oceania	0	0	0	0	0	0	0	0	0	0	1
Europe	68	65	91	79	77	11	8	12	11	9	5
Total bilateral allocable by country	621	765	768	704	856	100	100	100	100	100	100
Least developed	258	330	351	345	496	42	43	46	49	58	36
Other low-income	114	138	122	120	129	18	18	16	17	15	23
Lower middle-income	238	281	281	227	219	38	37	37	32	26	37
Upper middle-income	10	15	14	12	11	2	2	2	2	1	4
High-income	-	-	-	-	-	-	-	-	-	-	0
More advanced developing countries	1	0	1	0	-	0	0	0	0	-	-
<i>For reference:</i>											
<i>Total bilateral</i>	1 020	1 210	1 298	1 271	1 449	100	100	100	100	100	100
<i>of which: Unallocated</i>	399	445	530	568	593	39	37	41	45	41	21

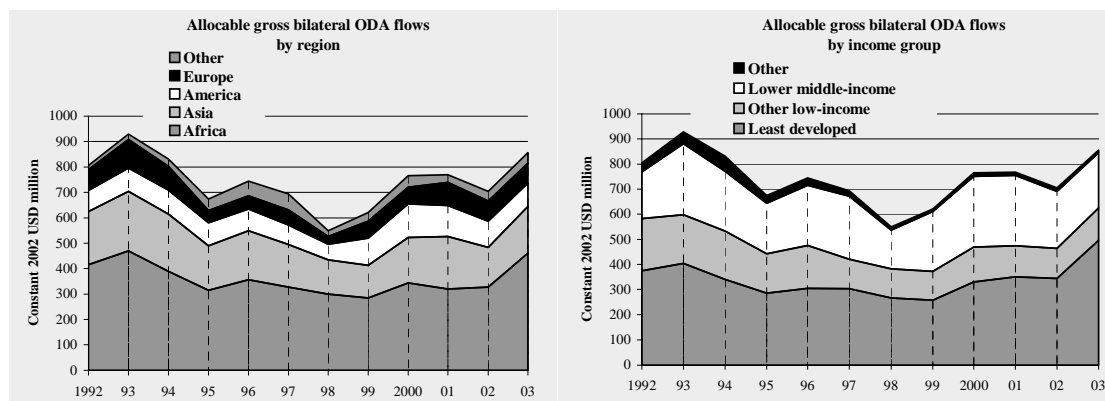


Table B.4. Main recipients of bilateral ODA

Sweden	1992-93			1997-98			2002-03		
	Current	Constant	Per cent	Current	Constant	Per cent	Current	Constant	Per cent
	USD million	2002 USD mn.	share	USD million	2002 USD mn.	share	USD million	2002 USD mn.	share
Sis Ex-Yugoslavia unsp.	115	94	11	54	46	7	89	73	10
Tanzania	92	75	9	43	36	6	64	58	7
Mozambique	84	68	8	36	31	5	51	46	6
India	65	53	6	35	29	5	37	34	4
Zambia	57	44	5	34	29	5	35	31	4
Top 5 recipients	413	335	39	202	171	27	276	242	31
Nicaragua	52	41	5	28	24	4	32	28	4
Viet Nam	52	42	5	27	22	4	31	28	4
Zimbabwe	50	39	5	26	22	4	30	26	3
Ethiopia	49	40	5	25	21	3	28	25	3
Bangladesh	37	29	3	21	18	3	25	22	3
Top 10 recipients	654	527	61	329	278	45	422	371	48
China	33	27	3	21	18	3	25	22	3
Angola	27	21	3	21	18	3	23	21	3
Kenya	23	18	2	20	17	3	23	21	3
Uganda	23	18	2	19	16	3	20	18	2
South Africa	19	18	2	18	16	3	20	18	2
Top 15 recipients	779	629	73	428	362	58	532	470	61
Namibia	19	15	2	18	15	2	20	18	2
Laos	16	14	2	17	14	2	19	17	2
Botswana	16	13	1	17	14	2	17	15	2
Cambodia	15	12	1	14	12	2	14	13	2
Lesotho	15	13	1	14	12	2	14	13	2
Top 20 recipients	860	696	81	507	429	69	616	546	70
Total (112 recipients)	1 067	866	100	735	622	100	877	780	100
Unallocated	487	381		394	334		648	580	
Total bilateral gross	1 554	1 247		1 129	956		1 525	1 360	

Gross disbursements, two-year averages

Table B.5. Bilateral ODA by major purposes

Gross disbursements - Two-year averages

Sweden	1992-93		1997-98		2002-03		2002-03 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
Social infrastructure & services	449	29	381	35	506	34	33
Education	83	5	86	8	81	6	8
of which: basic education	-	-	49	4	22	2	2
Health	129	8	64	6	67	5	4
of which: basic health	-	-	41	4	21	1	3
Population programmes	21	1	15	1	42	3	3
Water supply & sanitation	46	3	20	2	31	2	3
Government & civil society	81	5	108	10	189	13	8
Other social infrastructure & services	89	6	88	8	95	7	6
Economic infrastructure & services	187	12	144	13	122	8	11
Transport & storage	47	3	27	2	47	3	4
Communications	47	3	27	2	7	0	0
Energy	87	6	53	5	32	2	4
Banking & financial services	1	0	27	2	16	1	1
Business & other services	4	0	11	1	20	1	1
Production sectors	225	15	103	9	44	3	6
Agriculture, forestry & fishing	182	12	87	8	32	2	4
Industry, mining & construction	41	3	12	1	6	0	2
Trade & tourism	2	0	4	0	5	0	1
Other	0	0	0	0	-	-	-
Multisector	98	6	72	7	123	8	8
Commodity and programme aid	92	6	30	3	48	3	5
Action relating to debt	16	1	9	1	86	6	19
Emergency assistance	323	21	223	20	347	24	8
Administrative costs of donors	85	6	87	8	86	6	5
Core support to NGOs	69	4	54	5	105	7	4
Total bilateral allocable	1 543	100	1 103	100	1 466	100	100
<i>For reference:</i>							
Total bilateral	1 546	73	1 129	68	1 522	69	76
of which: Unallocated	3	0	25	2	56	3	2
Total multilateral	560	27	527	32	681	31	24
Total ODA	2 105	100	1 656	100	2 203	100	100

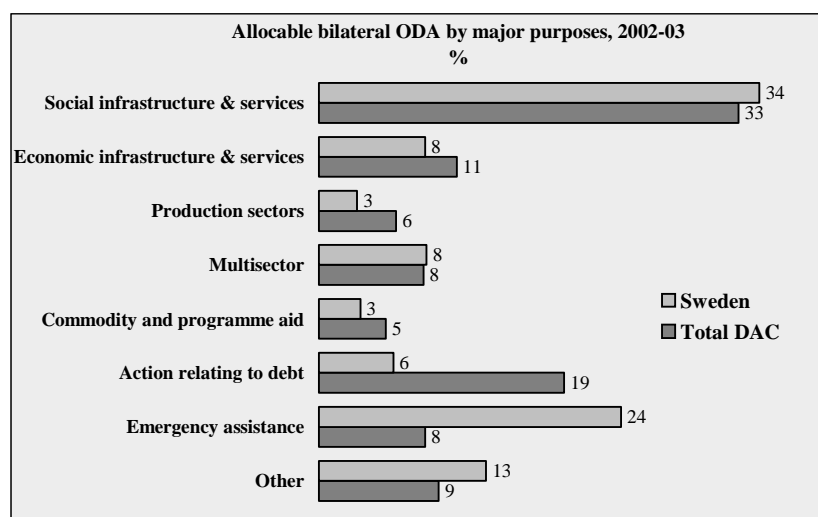


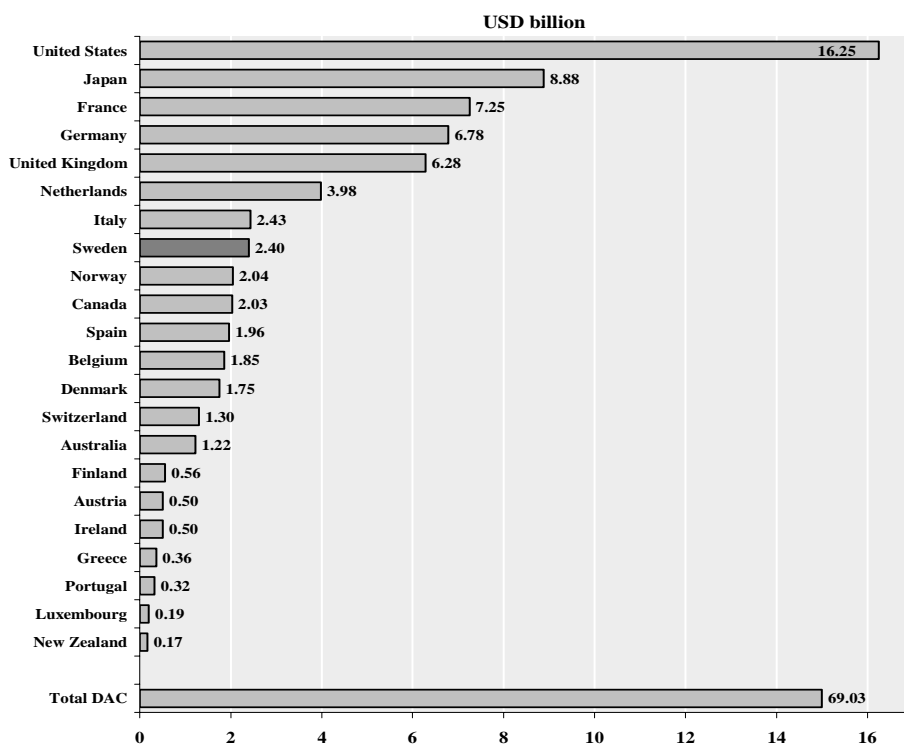
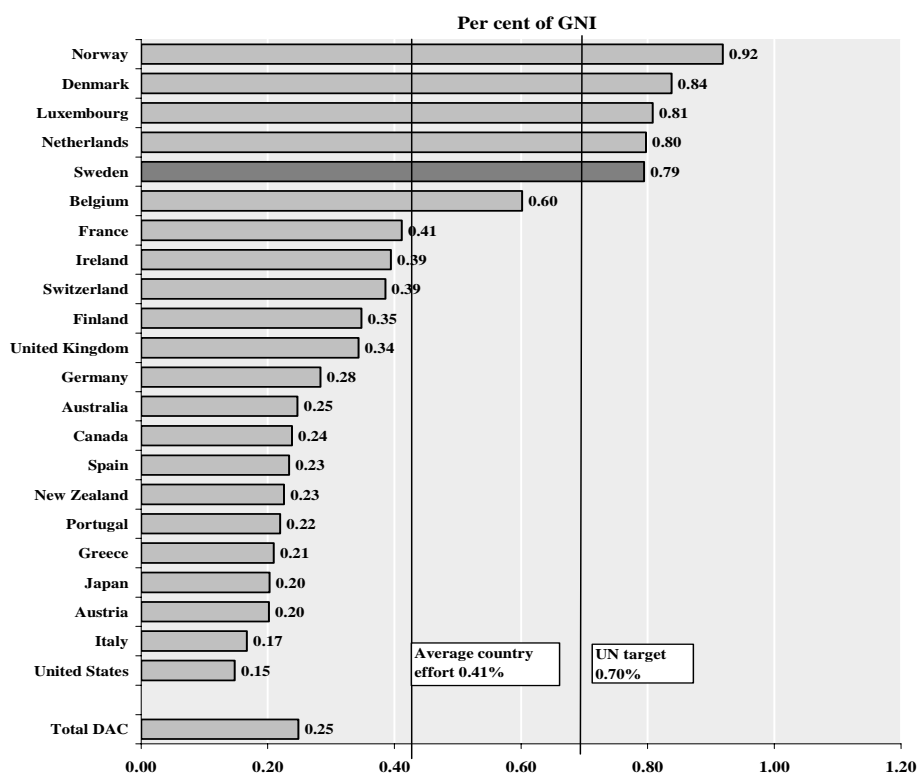
Table B.6. Comparative aid performance

	Official development assistance			Share of multilateral aid			ODA to LDCs		Official aid	
	2003		97-98 to 02-03 Ave. annual % change in real terms	2003			2003		2003	
	USD million	% of GNI		% of ODA (b)	% of ODA (c)	% of GNI (b)	% of GNI (c)	% of ODA	% of GNI	USD million
Australia	1 219	0.25	2.0	20.0	0.05	21.3	0.05	21.3	9	0.00
Austria	505	0.20	1.9	54.7	0.11	33.4	0.07	33.4	245	0.10
Belgium	1 853	0.60	11.7	20.8	0.13	58.7	0.35	58.7	163	0.05
Canada	2 031	0.24	0.4	33.6	0.08	31.2	0.07	31.2	102	0.01
Denmark	1 748	0.84	0.1	41.0	0.34	38.5	0.32	38.5	202	0.10
Finland	558	0.35	5.6	44.7	0.16	32.7	0.11	32.7	82	0.05
France	7 253	0.41	1.4	28.1	0.12	40.9	0.17	40.9	2 027	0.11
Germany	6 784	0.28	1.8	40.2	0.11	37.0	0.10	37.0	1 181	0.05
Greece	362	0.21	11.8	37.0	0.08	15.3	0.03	15.3	81	0.05
Ireland	504	0.39	15.8	30.1	0.12	52.8	0.21	52.8	1	0.00
Italy	2 433	0.17	5.6	56.4	0.09	45.4	0.08	45.4	497	0.03
Japan	8 880	0.20	-1.2	28.7	0.06	21.6	0.04	21.6	-219	-0.01
Luxembourg	194	0.81	9.8	22.8	0.18	33.5	0.27	33.5	6	0.03
Netherlands	3 981	0.80	2.4	25.9	0.21	32.3	0.26	32.3	248	0.05
New Zealand	165	0.23	1.2	21.9	0.05	27.3	0.06	27.3	1	0.00
Norway	2 042	0.92	3.1	28.4	0.26	39.2	0.36	39.2	50	0.02
Portugal	320	0.22	2.8	42.9	0.09	64.2	0.14	64.2	51	0.04
Spain	1 961	0.23	5.2	41.3	0.10	17.4	0.04	17.4	5	0.00
Sweden	2 400	0.79	7.2	25.9	0.21	34.2	0.27	34.2	127	0.04
Switzerland	1 299	0.39	3.4	27.3	0.11	31.1	0.12	31.1	77	0.02
United Kingdom	6 282	0.34	7.4	38.5	0.13	36.2	0.12	36.2	698	0.04
United States	16 254	0.15	11.6	10.2	0.02	27.5	0.04	27.5	1 471	0.01
Total DAC	69 029	0.25	4.4	27.8	0.07	32.7	0.08	32.7	7 106	0.03
Memo: Average country effort		0.41								

Notes:

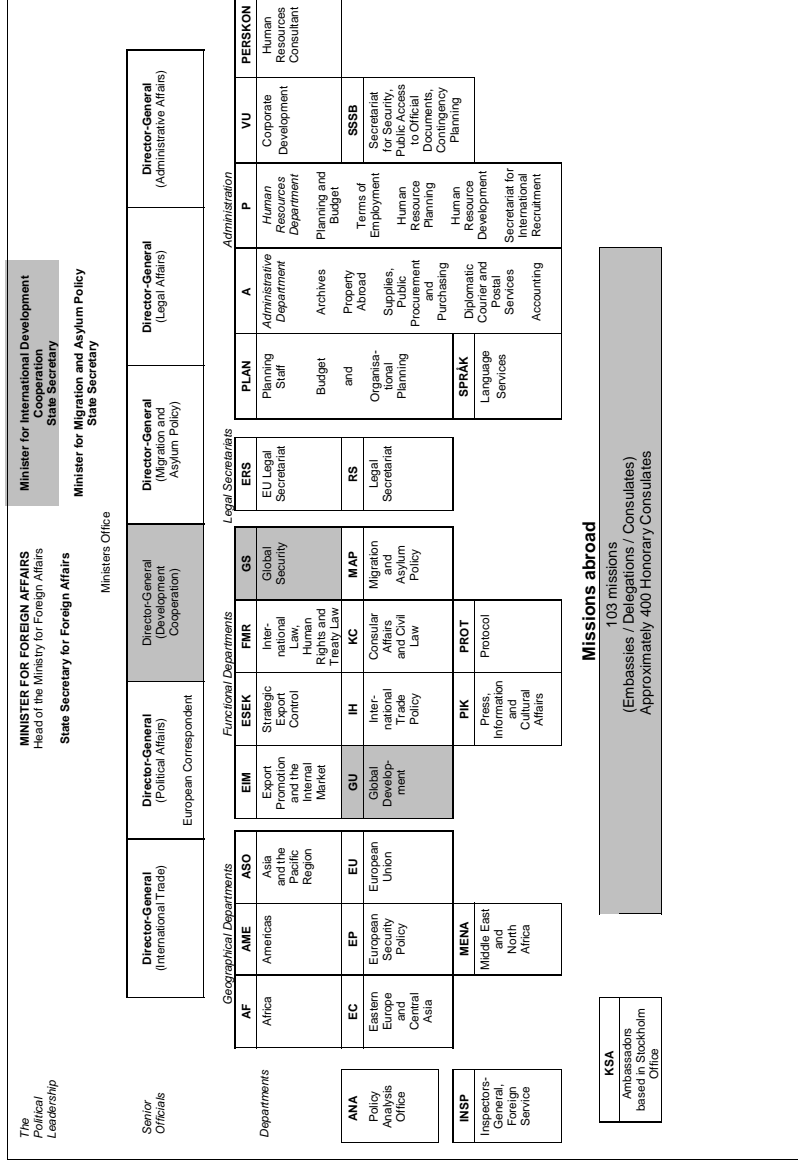
- a. Excluding debt reorganisation.
- b. Including EC.
- c. Excluding EC.
- .. Data not available.

Graph B.1. Net ODA from DAC countries in 2003



Annex C

The Organisation of the Ministry for Foreign Affairs

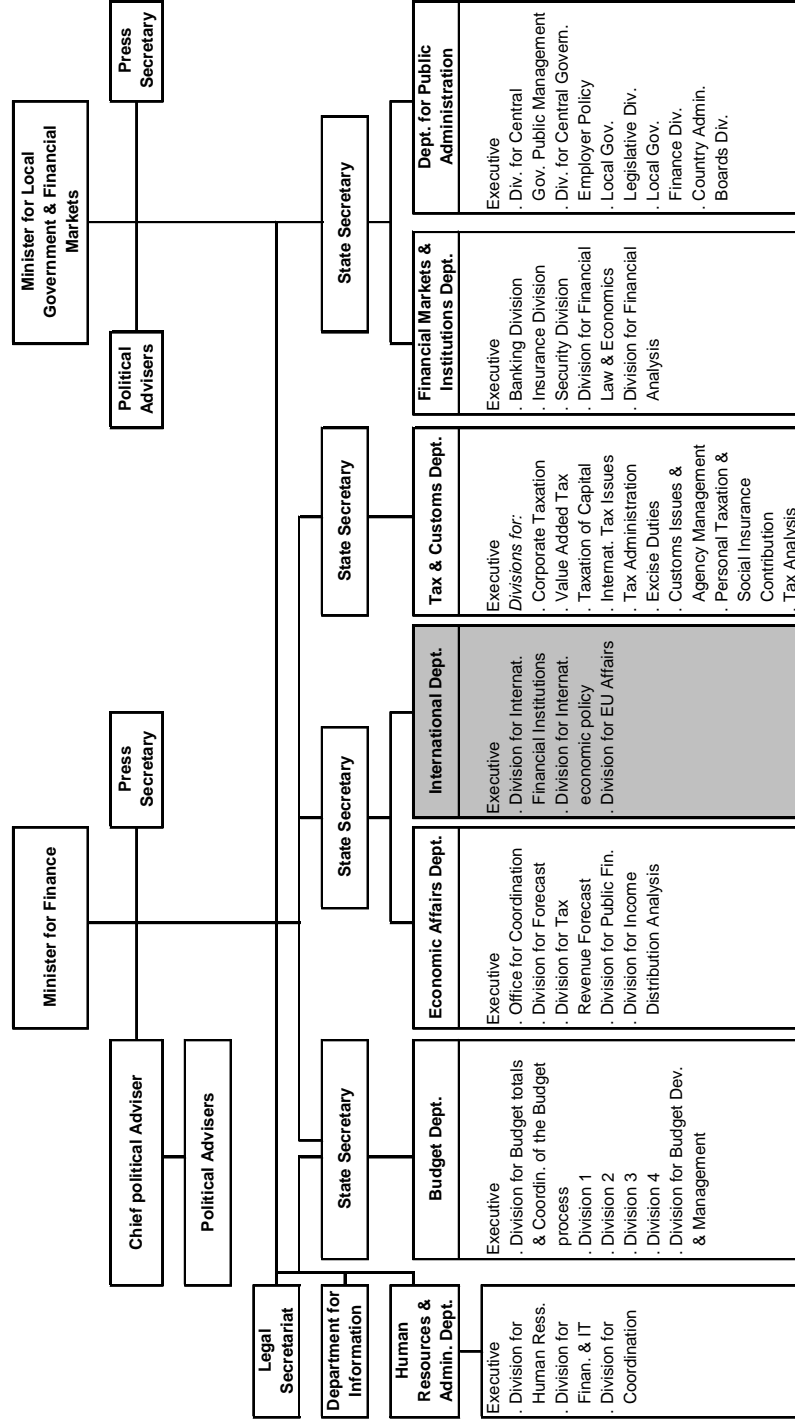


Departments with a major role to play in development co-operation are shaded.

Source: MFA.

Annex D

Ministry of Finance



Source: MOF.

Annex E

Swedish Support to Humanitarian Action

This annex assesses Sweden's humanitarian aid according to the *Assessment Framework for Coverage of Humanitarian Action in DAC Peer Reviews* based on the Principles and Good Practice of Humanitarian Donorship (GHD).²² The annex covers six areas: (1) humanitarian policies and principles; (2) volume and distribution; (3) crosscutting and emerging issues; (4) policy coherence; (5) organisation and management; and (6) future considerations.

Humanitarian Policies and Principles

In 2004 the Swedish government introduced a new humanitarian aid policy (Swedish Government, 2004b), based on International Humanitarian Law (IHL) and the humanitarian principles of impartiality, neutrality and independence and further guided by the "*Principles and Good Practice of Humanitarian Donorship*" (GHD). According to the policy, Swedish response to emergencies (situations of armed conflict, natural disasters or other emergencies) will be needs-based and serve to save lives, protect civilians and non-combatants and to prevent and alleviate human suffering. The policy provides guidance on preventive measures for natural disasters, conflict prevention and the relationship to development co-operation. It sets a framework for funding principles, recognises the leading role of the UN and the special mandate of the International Committee of the Red Cross (ICRC) and the International Federation of Red Cross and Red Crescent Societies (IFRC) and also outlines the Swedish relation to the humanitarian work conducted by the European Commission Humanitarian Aid Office of the European Union. The new policy is far reaching and advanced and could in many areas serve as a model for other donors.

Sweden believes the advantages of the new policy rests in two areas: First, it provides the necessary and relevant guidance. Second, it formally affirms the government's commitment to humanitarian principles, international humanitarian law and other foundations of humanitarian action in one document. It also identifies three areas of engagement; advocacy and diplomacy; financial support to operations by implementing agencies; and national humanitarian response capacity and preparedness. Although the policy is new it does not introduce new themes or priorities but rather confirm previous practices, priorities and sectors, and clarifies relations to other policy areas. Despite making a clear distinction between humanitarian "*assistance*" and "*protection*", it remains vague on how to deal with the complexity of protection especially in relation to areas of conflict prevention and peace-building.

The Ministry for Foreign Affairs (MFA) has formally translated the policy into guidelines for Sida's humanitarian aid. However, Sida regards the new policy as confirmation of previous practice. In the absence of an official policy Sida had developed its own set of guidelines and strategies for humanitarian support (*i.e.* guidelines on humanitarian aid in the education and the health sector (Sida,

22 Available on www.oecd.org/dac/peerreviews.

2002 a and b), the rights of the child in complex emergencies (Sida, 1999a), separate strategies on mine action (Sida, 2002c) and on conflict prevention and peace building (Sida, 1999b). Sida should consider merging its existing humanitarian strategies into one comprehensive guiding document aligned to the new policy.

Volume and distribution

Sweden has become an increasingly important humanitarian donor and disbursements for humanitarian action have increased significantly. In 2003 Sweden reported USD 315 million in emergency and distress relief, (17% of ODA). Since 1994 and in accordance with the DAC reporting directives, Sweden includes expenditures for assistance to refugees in their first twelve months of stay in a developed country. In 2003, this item amounted to 49% of Sweden's reported emergency and distress relief.

Sweden funds humanitarian action from a separate budget line for "*humanitarian assistance and conflict management*" administered by Sida. In 2004 the Ministry of Finance (MOF) and the MFA imposed restrictions in managing the budget line. In order to distinguish humanitarian action from conflict prevention and peace building activities, a maximum expenditure for conflict prevention (200 million SEK) was introduced. Furthermore, to ensure the availability of funds for unexpected disasters throughout the budget year, a limit of 80% pledging and disbursements over the first six months were introduced. Sida regards these new measures as a limitation. The MFA should consider following up on the effect of these restrictions and to what extent they contribute to the objectives of the humanitarian policy.

Sweden mainly funds humanitarian action programmes implemented by UN humanitarian agencies, the International Red Cross movement, and Swedish or international non-governmental organisations. Sweden responds to appeals or applications from these agencies and organisations through annual and consolidated appeals that address humanitarian needs in long-term emergencies usually caused by conflict, or by applications or flash appeals addressing acute emergencies such as sudden-onset natural disasters. In addition operational activities by other Swedish authorities may be financed from the humanitarian budget, (*i.e.* Swedish Rescue Services Agency, Swedish Institute for Infectious Disease Control). Sweden strives to support the leading role of the UN and the ICRC by allocating the lion-share of its support to multilateral channels (approximately 80% of disbursed funding in 2003). This share has increased significantly during the last years. In 2004, Sweden was the largest donor to the UN-CAP measured by contributions as a proportion of Gross Domestic Product (GDP), and the fifth largest donor measured by contributions in dollars.²³

Sida's directives for Humanitarian Assistance are an important tool in managing applications from NGO's. These directives lay down the conditions when applying for Swedish grants and make explicit reference to internationally agreed standards and Sida's position on humanitarian response. In light of the new policy Sida could consider revising the directives to ensure compliance with the new humanitarian policy and the Policy for Global Development.

Implementing agencies and NGOs perceive Sweden as a provider of timely and flexible funding. Sweden strives to make early disbursements of UN-CAP funding (January or February) and provides stable, un-earmarked funding to major humanitarian partners. Multi-year funding arrangements can be obtained up to three years in advance, subject to parliamentary approval. To speed up decision making processes, Swedish NGOs are trusted with "rapid response funds" for unforeseen emergencies and Sida still uses "soft" earmarking in its funding. Sweden strives to ensure that funding of humanitarian

23. United Nations, UN OCHA "*Humanitarian Appeal 2005*"5.

action in high profile crises does not adversely affect meeting needs in other ongoing crises. Although not spelled out as a policy, Sweden's ambition is to fund all UN-CAPs unless already well funded compared with other appeals, such as the response to the Indian Ocean Tsunami (see Box 18).

Box 18. Responding to the 2004 Indian Ocean Tsunami

The 2004 tsunami flooded coastal areas in 11 countries and claimed the lives of more than 200 000 people. It caused large scale displacement and wiped away homes and infrastructure leaving several million people affected and in need of assistance and protection. The enormity of the destruction and the multiple international dimensions prompted an unprecedented global response from the general public, the private sector, organisations and governments highlighting the need for improved donor mechanisms when responding to natural disasters.

On 30 December the Swedish government stated that it was making available an initial USD 61.9 million (SEK 500 million) for assistance to victims of the Indian Ocean Tsunami, and the public and private sector raised an additional USD 123.8 million. Of the funds available, USD 25.4 million was used in the emergency phase by Sida's humanitarian division whilst the remaining USD 35.3 million was allocated to reconstruction efforts managed by Sida's regional Asia department. Sweden is normally among the top five contributors to UN consolidated appeals but in its response to the Tsunami, Sweden limited its allocations to USD 18.6 million to the UN appeal as a result of the extraordinary support from other governments and the public. After the immediate humanitarian response Sweden concentrated on sustainable and long-term approaches and to better manage the response, a co-ordinating mechanism was set up between the MFA and Sida. Sida was tasked to present a strategy for the reconstruction phase taking into consideration long-term development aspects and impact on Sida's development co-operation programmes in the affected region. A strategy was developed by Sida's Asia department in close co-operation with the humanitarian division and relevant sector departments. The reconstruction plan focuses on harmonisation, anti-corruption measures, risk reduction, poverty issues and a conflict and environment perspective. Sweden also recognises the importance evaluating the humanitarian operations in countries affected by the tsunami so as to provide accountability and lessons for improvement of future response to natural disasters. Sweden will undertake a national evaluation of all actions in relation to the Tsunami and will also participate in evaluation efforts led by the Active learning network for accountability and performance in humanitarian action (ALNAP). Sida will also conduct a specific internal evaluation on its humanitarian response and reconstruction support. In relation to transparency and accountability Sweden believes its report systems are sufficient to track funding and expenditure to the Tsunami response but expressed concern regarding clarity of data produced by the international system, including that of the DAC. Sweden has expressed support for the measures taken by the United Nations office for the coordination of humanitarian affairs (UN-OCHA) to improve transparency and accountability and indicated a willingness to support improved methods for data collection if made more permanent.

In April the government decided to supplement the humanitarian assistance budget line administered by Sida for in 2005 with USD 37.1 million by authorising the transfer of funds from other budget lines that were unspent in 2004. Whether this meant the diversion of funds from other humanitarian or long-term development efforts should be examined. Another issue underlined by the Tsunami is the need for strengthening of the capacity of affected countries and local communities to prevent, prepare for, and respond to natural disasters. Sida could further develop its approaches by integrating risk reduction and disaster prevention into its development strategies.

Crosscutting and emerging issues

Promoting standards and enhancing implementation. Sweden has supported the development of practical tools to promote accountability, efficiency and effectiveness in implementing humanitarian action and dissemination of standards and principles. Sida follows up on adherence to the humanitarian guidelines through its system of application for Swedish grants and through evaluations and capacity studies of implementing organisations.

Applying a rights perspective in humanitarian aid. The PGD clearly identifies cross-cutting issues such as gender, rights of the child, and disabled. In line with the approaches in its development

co-operation Sweden has gone far in developing a rights perspective in its humanitarian programme. Swedish humanitarian aid promotes the respect for the rights of the child and focuses on addressing and meeting the needs of children, especially in armed conflicts and during a reconstruction phase. Follow-up, such as evaluations of the impact of such strategies could be considered. Furthermore, Sweden could elaborate on how it ensures and promotes adequate involvement of beneficiaries in the design, implementation, monitoring and evaluation of humanitarian response.

Transition support. According to Sida statistics, 53% of Sida's country portfolio is allocated to countries in transition or armed conflict, (38 countries, disbursements amounting to SEK 3.5 billion). The PGD addresses relationships between humanitarian aid and development co-operation but largely leaves it to Sida to find the proper modalities to manage such transition. In post-emergency situations where Sweden will be engaged in longer-term rehabilitation, reconstruction and development support programme responsibilities are gradually transferred from Sida's humanitarian division to sectoral departments under the co-ordination of the regional department. The government's guidelines for Sida's humanitarian aid state that costs for transition should primarily be covered by the general development co-operation budget and occasionally through the humanitarian budget. However, Sida's experiences have been the opposite, transition from humanitarian aid to development co-operation has often been financed from the humanitarian budget. Until 2005, Sida could in fact operate development co-operation programmes through its humanitarian support, as in the case of Somalia.²⁴

Managing transition situations has been made less flexible due to changes on what can be financed through the development co-operation budget and the budget line for "humanitarian assistance and conflict management". The MFA should, together with Sida explore the consequences of these changes to avoid shortfalls and a possible vacuum of funds during transitions.

Sweden's approach to conflict prevention and peace building

Sweden is taking steps to conflict-sensitise its development co-operation. The MFA has developed guidelines for Swedish policy on conflict prevention - *Preventing Violent Conflict – A Swedish Action Plan*, (Swedish MFA, 1999) and *Preventing Violent Conflict - Swedish policy for the 21st century* (Swedish MFA, 2000). The PGD, the action plan and other conflict management-related publications by Sida demonstrate that the relationship between poverty and armed conflict, as well as the potential positive and negative influence of development co-operation and humanitarian aid on armed conflicts, is recognised. Policy documents also consistently cross-refer to DAC policy guidance in this area.

Sweden has taken important steps to develop and define a methodology to conflict management, including conducting detailed conflict analysis (November 2004) to understand better how development co-operation strategies, programmes and projects are affected by and can affect potential or ongoing violent conflicts. It also invests time and resources in promoting the principles of "do no harm" and conflict sensitivity among governmental and non-governmental actors. These efforts are also not limited uniquely to Swedish actors. It has underlined the importance of working both "in" and "on" conflict.

Three categories of activities have been identified which may be combined and applied, as appropriate, to loosely defined situations of submerged tension, rising tension, open armed conflict and post-conflict:

24. The Peer Review Team was informed by the Embassy in Nairobi that 80% of the humanitarian programme in Somalia could be regarded as development co-operation activities.

- **Promotion of dialogue** – support to initiatives promoting negotiation, de-escalation and reconciliation between primary and secondary parties to conflicts.
- **Promotion of security** – support to interventions improving protection of individuals and groups affected by violent conflict. Such activities include disarmament, demobilisation and reintegration of ex-combatants, control of small arms and light weapons, civilian peace monitoring.
- **Promotion of structural stability** – interventions aiming at root causes of violent conflict and human insecurity such as political and economic inequalities, weak state structures, and human right abuses including ethnic discrimination.

As part of efforts in the area of security, in 2004 the MFA launched the “*Stockholm initiative on Disarmament, Demobilisation and Reintegration*” to gather together and draw on policy making and field expertise to strengthen international approaches and response to Disarmament, Demobilisation and Reintegration (DDR) programmes. The meeting involved representatives from 23 countries and 14 national and international organisations, institutes and UN agencies. Working groups covered the areas of: i) peace agreements, negotiations and political processes; ii) funding mechanisms for the different DDR phases; and iii) reintegration and peace building. Sweden should ensure that the target audience of this work is clearly defined, that it complements other initiatives in this area and that it is followed-up through its own development co-operation system.

Sweden, like other development co-operation actors, must pay special attention to the challenge of following-up methodological and conceptual thinking with practical implementation. A consideration in this respect is the respective numbers and roles of in-capital and in-country officials working in this area, and the interaction between these officials and external consultants whose temporary involvement does not strengthen institutional knowledge over the long term.

One issue, already identified by Sida (in *Reflections on Development Co-operation and Violent Conflict*, (Sida, 2003e), is the division of labour between projects and programmes in situations of open armed conflict and post-conflict (comprising 80% of Sida’s conflict management work) relative to activities in situations of submerged and rising tensions. Given the current international priority on conflict prevention and early warning, Sweden will need to give continued attention to the areas where its development co-operation can have the most constructive and stabilising effect on dynamics of conflict and peace.

Questions exist over the distinction drawn between conflict management and conflict prevention. Many activities that can play a crucial role in “up-stream” conflict prevention, such as the majority of Security Sector Reform-related activities, are not run within the conflict management team in Sida, being housed either in the Division for Democratic Governance or in the MFA (particularly in respect of the “harder” security issues). Recent work on democratisation and armed conflict suggests good collaboration between Sida departments, and efforts are being made to conflict-sensitise all development co-operation. Good progress has also been made in integrating relevant DAC guidelines in this work. There is risk that conflict management may focus on conflict-affected situations (alongside humanitarian aid) to the neglect of conflict-prone environments. Attention should, however, continue to be given to the organisation of activities within Sida ensuring close communication between teams.

Policy coherence

Civil and military interaction. Civil and military co-operation in humanitarian action raises a major dilemma regarding impartiality, effectiveness and security. The Swedish policy makes explicit

reference to guidelines on the use of military and civil assets and Swedish policy recognises the primary position of civilian organisations in implementing humanitarian action.²⁵ In situations where military capacity and assets are used to support the implementation of humanitarian action, Sweden strives to ensure that such use conforms to International Humanitarian Law (IHL) and humanitarian principles and recognises the leading role of humanitarian organisations.

Untying Food Aid. Sweden's position on food aid is outlined by the humanitarian policy. Sweden does not provide food aid but provide financial contributions for food purchases in or in close relation to the location of the emergency to avoid undermining local markets and distorting local food production. The policy also indicates an ambition to advocate these positions in relation to other donors.

Organisation and Management

Humanitarian aid architecture – division of labour MFA and Sida

Humanitarian aid management is shared between the MFA and Sida. The MFA is responsible for policy development and co-ordination of humanitarian aid and Sida for implementation and follow-up. Management of humanitarian aid is located in a separate division, staffed by six persons, placed in the Department for Global Security. The MFA humanitarian division also manages annual core grants to multilateral support (UNHCR, UN-OCHA and United Nations Relief and Works Agency for Palestine refugees in the Near East [UNRWA]) and international organisations, such as the International Committee of the Red Cross (ICRC). A major humanitarian agency World Food Programme (WFP) is not managed by the humanitarian division but by the Department for Global Development. The Ministry of Defence (MOD) is responsible for civil protection and domestic disaster preparedness policy and is also the regulatory authority over the national disaster response unit, the Swedish Rescues Services Agency (SRSA).

In its annual letter of appropriation to Sida the government decides on an overall framework for humanitarian action, delegating specific planning, management and follow up to the agency. Humanitarian aid within Sida is located in the Department for Co-operation with NGOs, Humanitarian Assistance and Conflict Management (SEKA). This department operates a diverse mandate. Apart from a large humanitarian portfolio (1.5 billion SEK) it is also responsible for development co-operation through civil society organisations (900 million SEK) and manages Sida's Civil Society Center, a development co-operation institute focused on the role of civil society in development. The division working with humanitarian aid is staffed by 12 persons, including an advisory team with a thematic responsibility for Sida's strategies on "conflict management" (formerly two officials but to be expanded with the addition of two new conflict advisers). The rationale and possible advantages of the present organisation are unclear.

Consultations between the MFA and Sida regarding humanitarian affairs are formalised through bi-weekly meetings, a unique arrangement for managing the relations between the MFA and Sida. Although not intended to be a co-ordinating function it respects Sida's independence and serves as an instrument for exchange of information and is viewed as a well-functioning system to bridge an organisational constraint. However, following the increased importance Sweden has placed on humanitarian action the instructions from the MFA to Sida have become more detailed signalling a wish for increased control by the MFA.

25. *2003 Guidelines on the Use of Military and Civil Defence Assets to Support United Nations Humanitarian Activities in Complex Emergencies* and *1994 Guidelines on the Use of Military and Civil Defence Assets in Disaster Relief*.

Country operations

Humanitarian action is often implemented in countries where Sweden has no bilateral agreement with the government or where there is no legitimate government. When natural disasters or armed conflicts occur in countries where country strategies and plans exist, humanitarian aid is normally provided outside ordinary development co-operation frameworks. In long-term complex emergencies, Sida may be instructed by the government to propose humanitarian country strategies to further strengthen a needs-based approach and prioritise between sectors and target groups, (*i.e.* Afghanistan, Somalia and Sudan).

Humanitarian responsibilities and funds are not delegated to embassies. However since 1994 Sida has used regional humanitarian co-ordinates to improve assessments, monitoring and 'follow-up'. The role of the regional co-ordinators is to monitor developments with regard to natural disasters and armed conflicts, interact with UN co-ordination offices (OCHA) to follow-up on support and assist in determine the need for support. In 2005 Sida operated with four regional co-ordinators stationed in Abidjan, Nairobi, Kinshasa and Bangkok. The MFA and Sida could consider jointly evaluating this system to further strengthen its roles and functions.

National response capacity - The Swedish Rescue Services Agency (SRSA)

The Swedish Rescue Services Agency (SRSA) is a central supervisory government authority for national and international rescue services. Since 1988 the SRSA has been commissioned by the government to maintain an emergency preparedness and response capacity (personnel and materiel) for international humanitarian operations. SRSA operations are mainly performed under the auspices of various UN bodies and financed through Sida. Although SRSA is a separate authority, existing practices and procedures in managing assignments are indistinct. The present arrangement is not optimal as SRSA *de facto* operates under the influence of two ministries (MOD and MFA) and on instructions from another state authority (Sida). The MOD and the MFA should explore ways of improving the organisational structure and mandate of the SRSA.

Promoting learning and accountability

Evaluation system. Sweden conducts annual bilateral policy dialogue with the major humanitarian organisations and in addition Sida conduct capacity studies on the major implementing partner NGOs. Sweden is also a member of the ALNAP.²⁶

Accountability and transparency. Sweden is concerned with the constraints of existing systems for the collection of data on humanitarian aid and has called for improved and consistent statistical definitions. In this context Sweden could consider taking a lead in advancing donors reporting systems contributing to improved accuracy and transparency.

Future considerations

- **Humanitarian Policies and Principles.** In response to the Policy for Global Development and the policy for Humanitarian Aid, the MFA could consider clarifying how to operationalise the complexity of "protection", especially addressing the relation between humanitarian action and conflict prevention. Sida should consider integrating existing strategies and position papers in to a comprehensive strategy focused on implementation issues. Sida directives on

26. ALNAP, established in 1997, is an international interagency forum working to improve learning accountability and quality across the humanitarian sector. It has 51 full members and 370 observers.

humanitarian support should also be updated to reflect these policies. The MFA and Sida should also consider developing methods and monitoring system for follow-up on the implementation of the humanitarian aid policy.

- **Funding.** Sweden could work to enlarge and diversify contributions from elsewhere in the donor community, including approaches to emerging donors and to donors outside the like-minded group. The MFA should examine the effect of humanitarian aid budget restrictions how they limit the objectives of humanitarian policy. The stricter instruction regarding the use of the humanitarian may have negative effects on flexibility in transition funding.
- **Management.** To streamline administration and dialogue, the MFA should consider placing management of humanitarian multilaterals in one administrative unit within the MFA. Sida should consider creating a separate department responsible for humanitarian aid. This would help ensure the independence of humanitarian action, simplify decision-making and improve facilitation of transition support. The MOD, MFA and Sida should also clarify operational relations and procedures with the Swedish Rescue Services Agency (SRSA).
- **Country operations.** The use of regional humanitarian co-ordinators could be further strengthened and the roles and functions could be better integrated at MFA, Sida and embassy level. The MFA and Sida should jointly explore ways to develop the potential of this field function. The humanitarian division should also have a greater influence over decisions regarding regional posts.

Annex F

Progress in Implementing the Rome Agenda

Communication/Dissemination of the Rome Agenda

Signals from top management

The parliament approved in December 2003 the new Swedish Policy for Global Development, which includes strong and clear message on alignment and harmonisation. The Government Annual Bill for 2004 emphasised harmonisation as means for increased aid effectiveness. In the annual report to the parliament in September 2004 on the implementation of the Bill, a section on harmonisation was included.

Sida Director-General has approved harmonisation as a strategic priority for Sida. In June 2003 Sida DG approved an Action Plan for Harmonisation and Co-ordination which is also adopted as the Swedish Action Plan. This includes a number of concrete actions and will be followed up in an annual report. Harmonisation is also included in Sida's action plan for implementation of the new Policy for Global Development. Sida has further signed a Joint Action Plan on Harmonisation with the other donors in the so-called Nordic+ countries.²⁷

Communication/Dissemination

The Rome Declaration and the DAC Good Practice Papers have been disseminated to all embassies and departments at Sida. Sida Director-General has submitted two letters to all departments and field offices on harmonisation and encouraged them to bring any internal obstacles to her attention. All field offices and departments were required to develop harmonisation plans for 2004 as part of the annual planning process. According to the Sida Action Plan, the plans for harmonisation at country level shall be stated explicitly in the annual country plans for development co-operation.

The harmonisation agenda has been presented to Sida staff at seminars, regional conferences and in connection with visits by Sida's senior managers in the field. Harmonisation and co-ordination is also reviewed by the Quality Assurance Teams to embassies as well as in the Project Appraisal Committees.

Sweden has taken an active role in promotion of Harmonisation and Alignment (H&A) in DAC and EU. Sweden is the co-chair of the Task Team on harmonisation and alignment in the DAC Group on Aid Effectiveness. Issues of H&A are often raised by Sweden in the dialogue with multilateral organisations both at central and at country level. Sweden is also active in efforts to harmonise procedures in the Strategic Partnership for Africa, in Global Funds, in co-ordination of humanitarian assistance (Good Humanitarian Donorship) and in the Fast Track Initiative in education.

27. Denmark, Finland, Norway, Ireland, the Netherlands and the United Kingdom.

Organisational set-up and policies

Structure

Focal points on harmonisation have been assigned in the Ministry for Foreign Affairs and in Sida. Overall responsibility for harmonisation in Sida has, during the last three years, been located within the Director-General's office but has recently been moved to the new Department for Policy and Methodology. Its mandate is to guide, co-ordinate and support the actions by other departments and field offices and to follow-up implementation of the Action Plan. Officials from the Department and from the Ministry for Foreign Affairs will actively promote the harmonisation agenda in international fora.

An informal internal network, covering all departments at Sida and selected embassies, will be formed in 2004. This will mainly be used for informal communication and exchange of experience. Embassies/field offices are given increased responsibility. During 2004 the number of fully delegated embassies has increased from eight to twelve.

Policies and procedures

Sida has made a review in order to analyse whether the agency has the necessary flexibility and mandate to participate fully in harmonisation and co-ordination efforts at the country level. The conclusion is that Sida is already able to fully align with partner countries' systems, provided that they meet an acceptable standard. Sida's external and internal regulations are compatible with the Good Practice Papers (GPP) developed by the DAC. In accordance with the Sida Action Plan for 2004 the agreement templates and the manual on audit have been revised to include DAC Good Practices. Sida's methods manual and routines for handling development funds from other donors are being reviewed.

The guidelines for co-operation strategies with the main partner countries are being revised to be taken into effect by April 2005. Partner country ownership will be central. As far as possible the strategies will be based on the poverty reduction strategies worked out by the country and aid procedures will be aligned to country systems. They will also be better co-ordinated with other donor strategies.

New guidelines for budget support will be an integral part of the guidelines for co-operation strategies. This support will thereby be provided with a more long-term perspective and become more predictable and adapted to the budget process in the partner country.

As regards delegated co-operation, a review has been carried out to ensure that there are no legal obstacles. The Swedish government has now instructed Sida to specifically use opportunities for delegated co-operation.

In Sida's methods manual it is stated that "Sida's work needs to be adapted to the co-operation partner's procedures and regulations for planning, implementation, monitoring and reporting" and that "Sida actively discourages solutions that require special arrangements to handle external support, in particular so called by-pass solutions that are built on special project organisations".

Sweden has also declared as a policy to increase the share of programme assistance (budget support and sector programme support) in its portfolio and these forms of assistance by their nature will involve more of H&A.

A common template on Joint Financing Arrangements (JFAs) has been agreed within the Nordic+ group.

At country level Sweden is participating actively in harmonisation efforts and provides support to develop the capacity of the partner country. Good examples are *e.g.* Tanzania, Viet Nam and Zambia.

Staff training and incentives

No specific training material is available on H&A but a material on programme support has been developed. Sida has also started a special training programme in public finance management. Sida has been financing joint training activities with other donors on *e.g.* SWAPs and Poverty Reduction Strategies (PRSs).

Sweden is financing secondments in the H&A-area to UNDP and the World Bank in *e.g.* Tanzania and Viet Nam.

There is no system for performance assessment specifically for H&A but successful examples are recognised and put forward as best practices.

Review of operational procedures

Information sharing

In Sida's agreement templates it is stated that information on aid flows shall be made available to the partner.

The co-operation strategies with individual countries normally cover 3-5 years. The overall agreement on development co-operation with a country normally covers maximum three years and includes no exact financial commitment. However, a minimum amount may be stated in the agreement.

The financial frame is decided by Sida in the annual country plan. This decision is taken at the end of December and includes indicative amounts for the next three years. These have so far not included budget support, for which annual separate decisions have been taken by the Swedish government (in some countries with 3-year perspective).²⁸ The specified financial commitments are made in specific agreements on each project/programme. The period covered by these agreements vary, (normally 2-5 years).

All documentation, except draft working papers and confidential documents, are shared and to an increasing degree available on Sida's website.

The embassies normally circulate calendar of missions to the partner country government and to other donors.

28. From 2005, budget support is expected to be included in the country strategy/country plan process and handled by Sida in the same way as other forms of support.

Simplifying procedures

Based on what is said above, Sida is rationalising aid procedures and systems wherever feasible and participating in work to develop harmonised procedures and processes both at central and country level.

In some countries (*e.g.* Tanzania and Zambia) the number of missions is being reduced and the schedule is adjusted to the budget cycle of the partner country.

Common arrangements

Sweden is an active participant in co-ordination and harmonisation initiatives at country level wherever they exist.

Sweden will normally rely on analysis and studies made by the partner country itself and others.

Joint programming/joint assistance strategies are considered in some countries. PRSs must always form the background for Swedish strategies. Sweden/Sida makes an assessment of the PRS in each case and decides to which degree it can rely on this and if additional analysis and dialogue is needed.

Sweden gives priority to joint missions, evaluations etc. The aim is to actively involve the partner countries, although the opportunities for this are limited due to their weak capacity. In Nordic+ all donors have agreed to allow representations the final decision on timing of bilateral and joint programme/project missions and a joint evaluation programming is under preparation.

Sweden participates in common frameworks for budget support in several countries, *e.g.* Bolivia, Mozambique, Tanzania and Rwanda.

Division of labour

Delegated co-operation is used by Sida in many cases, *e.g.* to Norway for the entire assistance to Malawi. Preparations are under way for a similar partnership, where Sweden plays the active role, in Mali. Similar arrangements are established at sector level in other countries.

Sweden favours complementarity under the leadership of the partner country. This is being implemented *e.g.* in the Tanzania Joint Assistance Strategy (JAS) and in the Harmonisation in Practice (HIP) initiative in Zambia.

A large part of Swedish bilateral development co-operation is implemented through co-financing with multilateral and other bilateral donors and through contribution to trust funds.

Alignment with partner country's agenda and systems

The National PRS is always the starting point for Swedish country assistance strategies. Projects/programmes funded by Sweden are normally fully aligned with national sector policies.

The Swedish position is to rely on country systems where this is possible. Sida requirements always focus on “what” and not on “how”, *i.e.* no prescribed forms for reporting etc. is used. Sida relies on partner country analytical work whenever this is available.

Capacity Development in partner countries

Strengthening partner country capacity

Capacity building is central in Swedish development co-operation. This is emphasised in Sida's policy for capacity development. Sweden has traditionally been involved and developed special competence in areas closely related to H&A, *e.g.* public finance management and statistical capacity.

Co-ordinating capacity development

Joint guidelines for co-ordinated capacity building development efforts, including pooling arrangements for technical assistance are prepared in the Nordic+ and will be promoted in wider donor groups.

Monitoring & evaluation of progress towards simplification/Harmonisation/Alignment

Sweden/Sida will introduce monitoring of H&A as a regular feature in reporting from embassies and also prepare a general framework for monitoring based on experience from the DAC surveys.

PRESS RELEASE OF THE DAC PEER REVIEW OF SWEDEN
**SWEDEN COMMENDED FOR ITS STRONG GLOBAL DEVELOPMENT
COMMITMENT**

The OECD Development Assistance Committee (DAC) commended Sweden for making poverty reduction in developing countries a focus across the full range of government departments. The DAC also applauded Sweden's continued commitment to increase its aid budget, in support of achievement of the Millennium Development Goals. Sweden's volume of aid in 2004 stood at USD 2.7 billion, making it the world's seventh largest donor and representing 0.77% of Sweden's Gross National Income (GNI). Current budget projections call for a 1% level in 2006 and 2007, well over the United Nations target of 0.7%.

Sweden is the first OECD DAC member country to adopt a whole of government approach to 'equitable and sustainable global development'. The innovative *Policy for Global Development* (PGD) endorsed by parliament in 2003 commits Sweden to an overarching poverty reduction mandate and prescribes a government-wide approach to global development. However, the DAC identified some of the challenges Sweden will have to meet as it implements this approach. They include the need to obtain buy-in from all government departments, to identify results that can be reported annually to parliament.

Sweden is at the forefront of the international agenda on harmonisation and alignment of aid - this experience offers both policy and implementation lessons to other DAC members. The DAC also noted the number and quality of Swedish policy statements on development co-operation. Sweden was encouraged to make its policy statements more relevant to the needs of the field. As well, Sweden should continue its work towards a more strategically selective concentration of countries and sectors. Given the growing volume of its aid, Sweden was encouraged to work toward use of more robust performance assessment systems in order to guide budget allocation choices for bilateral or multilateral assistance.

The DAC welcomed the increased decentralisation of the management of Swedish aid and encouraged greater simplification of field management practice, accompanied by special attention to the skills mix of Swedish aid staff.

The DAC noted that a large proportion of Swedish aid is allocated to humanitarian aid (16% in 2003). Sweden has a strong humanitarian tradition and has been contributing actively to the development of international good practice. The DAC encouraged Sweden to examine how to improve co-ordination among the various bodies that deal with humanitarian aid.

The DAC Peer Review of Sweden's development co-operation policies and programmes took place on 25 May 2005. The meeting was led by the DAC Chair Richard Manning and the Swedish Delegation was headed by Mrs. Carin Jämtin, Minister for Development Co-operation, Ministry of Foreign Affairs. The examiners for this Peer Review were Australia and Belgium. The main findings and recommendations of the DAC regarding this review will be published on the OECD web site, at www.oecd.org/dac, during the week of 30 May 2005.

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.

ASSOCIATED FINANCING: The combination of official development assistance, whether grants or loans, with other official or private funding 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 AID RECIPIENTS: The DAC uses a two-part List of Aid Recipients which it revises from time to time. Part I of the List comprises developing countries (eligible to receive official development assistance). It 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 GNP less than USD 760 in 1998 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, *i.e.* with GNP per capita (Atlas basis) between USD 761 and USD 3 030 in 1998. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, *i.e.* with GNP per capita (Atlas basis) between USD 3 031 and USD 9 360 in 1998.

HICs: High-Income Countries, *i.e.* with GNP per capita (Atlas basis) more than USD 9 360 in 1998.

Part II of the List comprises "Countries in Transition"; assistance to these countries is counted separately as "official aid". These comprise (i) more advanced Central and Eastern European Countries and New Independent States of the former Soviet Union; and (ii) more advanced developing countries.

DEBT REORGANISATION (OR RESTRUCTURING): Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, 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 Aid 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 amount disbursed over a given accounting period) or **net** (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 financial 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). The grant element is calculated against a fixed interest rate of 10%. 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 AID (OA): Flows which meet the conditions of eligibility for inclusion in official development assistance, except that the recipients are on Part II of the DAC List of Aid Recipients.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): Grants or loans to countries and territories on Part I of the DAC List of Aid Recipients (developing countries) provided by the official sector with the promotion of economic development and welfare as the main objective and which are 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 Aid Recipients which do not meet the conditions for eligibility as official development assistance or official aid.

TECHNICAL CO-OPERATION: Includes both (i) grants to nationals of aid recipient countries receiving education or training at home or abroad, and (ii) 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): Unless otherwise stated, data are expressed in current United States dollars. Data in national currencies are converted into dollars using annual average exchange rates. 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. These data show the value of aid in terms of the domestic purchasing power of a US dollar in the year specified.

BIBLIOGRAPHY

- OECD (2000), *Development Co-operation Series: Volume 1 No. 4, Sweden*, OECD, Paris.
- OECD (2002), *Ministerial Statement: Action Shared Development Agenda*, OECD, Paris.
- Swedish Government (2003), *Shared Responsibility – Sweden’s Policy for Global Development*, Government Bill 2002/03:122, Stockholm.
- Swedish Government (2004a), *Government Communication 2004/05:4, Sweden’s Global Development Policy* (frequently referred to as Annual Report to Parliament), Stockholm.
- Swedish Government (2004b), *Regeringens politik for humanitart bistand (the Government’s policy for humanitarian assistance)*, Stockholm.
- Swedish International Development Cooperation Agency (Sida) (1997), *Sida’s Management Policy*, Sida, Stockholm.
- Sida (1999a), *Humanitarian Assistance in Armed Conflicts with Children’s Right Perspective*, Sida, Stockholm.
- Sida (1999b), *Sida’s Strategy for Conflict management and Peace Building*, Sida, Stockholm.
- Sida (2002a), *Guidelines for Humanitarian Assistance in the Education Sector*, Sida, Stockholm.
- Sida (2002b), *Guidelines for Humanitarian Assistance in the Health Sector*, Sida, Stockholm.
- Sida (2002c), *Policy for Sida’s Support for Mine Operations*, Sida, Stockholm.
- Sida (2003a), *Acting on suspicion of corruption*, Sida, Stockholm.
- Sida (2003b), *Harmonisation Action Plan*, Sida, Stockholm.
- Sida (2003c), *Making Markets Work for the Poor*, Sida, Stockholm.
- Sida (2003d), *Policy Guidelines for Sida’s Support to Private Sector Development*, Sida, Stockholm.
- Sida (2003e), *Reflections on Development Co-Operation and Violent Conflict*, Sida, Stockholm.
- Sida (2003f), *Sida at Work – A Manual on Contribution Management*, Sida, Stockholm.
- Sida (2003g) *Sida at Work – A Guide to Principles, Procedures and Working Methods*, Sida, Stockholm

- Sida (2004a), *Sida's anticorruption regulation*, Sida, Stockholm.
- Sida (2004b), *Vision for a strengthened field orientation*, Sida, Stockholm.
- Sida (2005), *Country Plan for Development Co-Operation with Kenya 2005*, Sida, Stockholm.
- Swedish Ministry for Foreign Affairs (MFA)/Sida (1999), *Investing for future generations – Sweden's International Response to HIV/AIDS*, Stockholm.
- Swedish MFA (1999), *Preventing Violent Conflict – A Swedish Action Plan*, Stockholm.
- Swedish MFA (2000), *Preventing Violent Conflict – Swedish policy for the 21st century*, Stockholm.
- Swedish MFA/Sida (2002), *Guidelines for Country Strategies in Swedish Development Co-Operation*, Stockholm.
- Swedish MFA/Sida (2004), *Act as one for future generations – the Swedish Response to HIV/AIDS*, Stockholm.
- Swedish MFA (2004a), *Country Strategy for Development Co-Operation with Kenya 2004-2008*, Stockholm.
- Swedish MFA (2004b), *Making it happen – Sweden's Report on the Millennium Development Goals 2004*, Stockholm.
- Swedish MFA (2004c), *Strategy for Swedish Support to the Lake Victoria Basin 2004-2006*, Stockholm.
- Swedish MFA (2005), *Strategy for Sweden's development co-operation with the African Great Lakes Region 2004-2008*, Stockholm.
- Swedish Parliament (2002), *A more equitable world without poverty – Report by the Parliamentary Committee (GlobKom) on Sweden's Policy for Global Development*, Swedish Government Official Reports 2001:96, Stockholm.
- Swedish Parliament (2003), *Sweden's new Policy for Global Development – Report of the Committee on Foreign Affairs 2003/04:UU3*, Stockholm.

THE DEVELOPMENT ASSISTANCE COMMITTEE



PEER REVIEW SERIES

HOW TO CONTACT US

The Development Assistance Committee welcomes your comments and suggestions.

Please contact us

by email at dac.contact@oecd.org, www.oecd.org/bookshop, by
telefax at 33 1 44 30 61 40
or by mail to:

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

WORLD WIDE WEB SITE
<http://www.oecd.org/dac>