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DEVELOPMENT ASSISTANCE COMMITTEE

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Peer Review

**DRAFT REVIEW OF THE DEVELOPMENT CO-OPERATION POLICIES  
AND PROGRAMME OF SWEDEN**

(Note by the Secretariat)

*The attached report has been prepared for the review of SWEDEN scheduled for 5 October 2000. The examining countries are the UNITED KINGDOM and the UNITED STATES. The Main Issues for discussion at the Review will be distributed separately as DCD/DAC/AR(2000)2/18/ADD1.*

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Or. Eng.

## ACRONYMS

AfDB	African Development Bank
AsDB	Asian Development Bank
BITS	Agency for International Technical and Economic Co-operation, Sweden
BSS	Basic social services
CDF	Comprehensive Development Framework
CEECs	Central and Eastern European countries
CPLAR	Viet Nam-Sweden Co-operation Programme on Land Administration Reform
EC	European Commission
EDF	European Development Fund
EGDI	Expert Group on Development Issues
EIA	Environmental Impact Assessment
EKN*	<i>Exportkreditnämnden</i> (Swedish Export Credit Guarantee Board)
EU	European Union
GNP	Gross national product
GOT	Government of Tanzania
GOV	Government of Viet Nam
HESAWA	Health through Sanitation and Water, Tanzania
HIPC	Heavily-Indebted Poor Countries
ICT	Information communication technology
IDA	International Development Association
IDB	Inter-American Development Bank
IDG	International development goal
IFIs	International financial institutions
IMF	International Monetary Fund
ISP	National Inspectorate of Strategic Products, Sweden
LAMP	Land Management Programme, Tanzania
LLDCs	Least developed countries
MFA	Ministry for Foreign Affairs
MOE	Ministry of Education
MOF	Ministry of Finance
MRDP	Mountain Rural Development Programme, Viet Nam
NORAD	Norwegian Agency for Development Co-operation
NGO	Non-governmental organisation
OA	Official aid
ODA	Official development assistance
ODI	Overseas Development Institute

PES	Project Export Secretariat
PMU	Project Management Unit
PRSP	Poverty Reduction Strategy Paper
PSD	Private sector development
SAREC	Department for Research Co-operation, Sida (formerly the Swedish Agency for Research Co-operation in the Developing Countries)
SEK	Swedish Krona
Sida	Swedish International Development Co-operation Agency
SIDA	Swedish International Development Authority
SIP	Sectoral Investment Programme
SWAp	Sector-wide approach
TAS	Tanzanian Assistance Strategy
TRA	Tanzania Revenue Authority
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
UNHCR	United Nations High Commissioner for Refugees
USD	United States dollar
WFP	World Food Programme
WHO	World Health Organization
WID	Women in development

**Exchange rates (SEK per USD) were (annual average except for 2000 where January-June was used):**

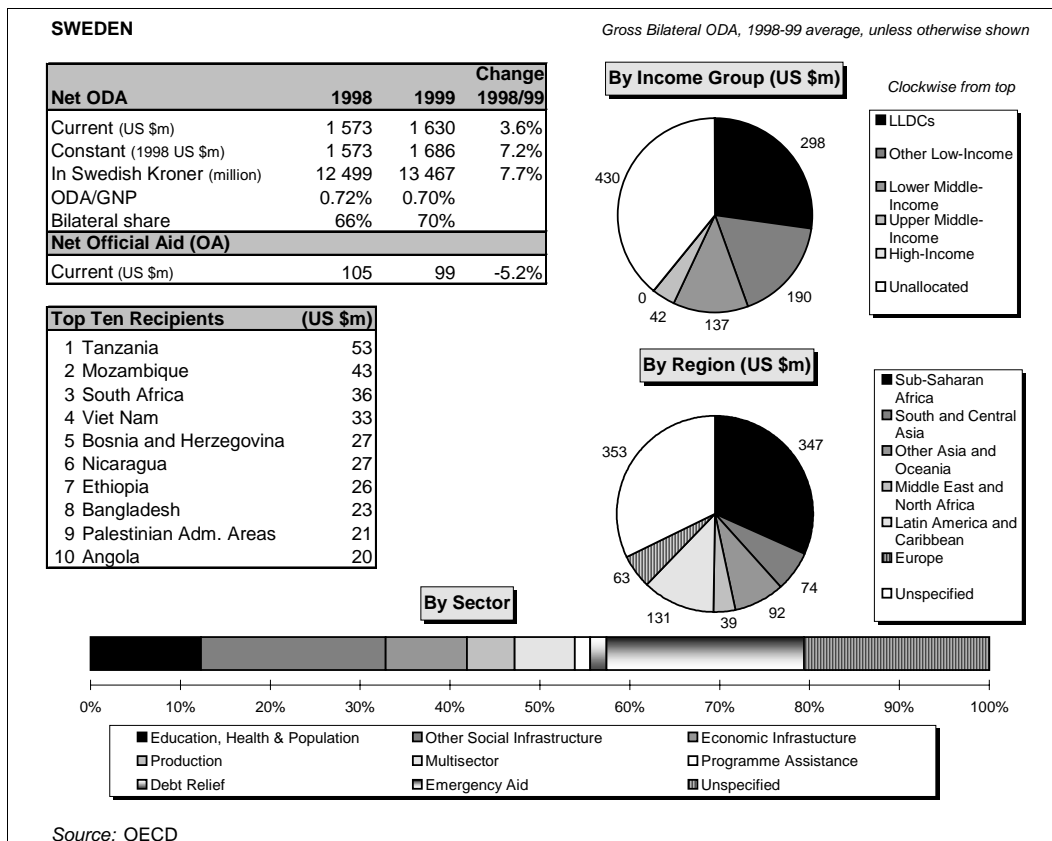
1995	1996	1997	1998	1999	2000
7.1336	6.7071	7.6346	7.9471	8.2623	8.6352

**Signs used:**

()	Secretariat estimate in whole or part
-	Nil
0.0	Negligible
..	Not available
...	Not available separately but included in total
n.a.	Not applicable
P	Provisional

Slight discrepancies in totals are due to rounding

### Sweden's aid at a glance



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## THE DAC'S MAIN FINDINGS AND RECOMMENDATIONS

### Sweden's leading role in development co-operation

0.1 Sweden has remained a leader among Development Assistance Committee (DAC) Member countries in the percentage of gross national product (GNP) devoted to official development assistance (ODA), in spite of a recent economic austerity programme. However, government-wide budget cuts implemented since 1995 have resulted in a decline of total ODA disbursements from a high of 2.0 billion United States dollars (USD) in 1992 to USD 1.7 billion in 1999<sup>1</sup>. As a result, Sweden's ODA/GNP ratio fell from a peak of 1.03% in 1992 to 0.70% in 1999. As part of the austerity measures, the Parliament suspended its previous target for ODA allocations of 1% of GNP, replacing it with a floor of 0.7%. Now that Sweden's economic reforms have had their desired effect, the ODA/GNP ratio is expected to increase again to reach 0.81% in 2003. Sweden's commitment to maintaining a high ODA/GNP ratio, even in challenging economic times, is a commendable example for many other DAC Members.

0.2 Since 1962, Sweden's overall goal in development co-operation has been to raise the living standard of the poor. This emphasis is strongly rooted in Sweden's historical perspective of its own economic and social development. Poverty reduction is seen holistically and multi-dimensionally, with six objectives - economic growth, independence, equity, democracy, environmental protection and gender equality - interacting with each other in order to achieve the overarching goal of poverty reduction. The consistency of Swedish aid with this overall goal is demonstrated by the focus of its bilateral ODA, mostly extended as grants, on countries with low levels of *per capita* income. In particular, about half of Sweden's allocable bilateral ODA is directed to sub-Saharan Africa. In terms of sectoral allocation, Sweden committed 15% of its bilateral ODA to basic social services in 1997-98, compared to the DAC average of 10%. Sweden's multilateral efforts are substantial, both as a major financial contributor and as an active proponent for institutional reform.

0.3 Sweden's leadership in policy formulation relating to development co-operation and poverty reduction is well known. Sweden is also actively experimenting with new approaches in its country operations to improve aid effectiveness. For example, in all the main recipient countries, field representation of the Swedish International Development Co-operation Agency (Sida) has been merged with the local embassy to form "integrated embassies." A pilot project has also been launched to increase delegated responsibility to the integrated embassies in Nicaragua, Tanzania and Viet Nam. Although the cost and staffing implications could be substantial, the assessment of the pilots would be of interest to many DAC Members. In another trial exercise, Sida and the Norwegian Agency for Development Co-operation may represent each other in countries where they are not already present. Sweden's initiatives in creating new aid paradigms, such as developing cutting-edge modalities to ensure the accountability of budgetary support while simultaneously handing over control to partner governments to take ownership of their programmes, reflect a laudable risk-taking approach to co-operative relationships. Sweden is also in the forefront of donors trying to carry out sector-wide approaches.

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1. In 1998 prices.

0.4 Sweden vigorously applies lessons-learned and regularly re-assesses its *modus operandi*. Sida has strong and well-developed evaluation functions at both the department and agency levels. It has started a rigorous evaluation of its country programme in Tanzania, which exemplifies Sweden's concern for quality programming. Sida also recently completed a study to evaluate its evaluation process, which examined whether evaluations were useful and used by partners. The results of this study could be of interest to many other donors.

### **Challenges faced by Sweden**

0.5 Sweden focuses its aid activities on 18 "programme countries." At the same time, it co-operates with approximately 100 other countries. As a result, less than half of Sweden's bilateral ODA is currently provided through specific budgets for the programme countries. One explanation for this is the progressive establishment of budget lines for Sida's nine operational areas, which have no geographical limitation. Another reason is the increasing allocation for humanitarian assistance and conflict prevention, which now consume 20% of Sweden's bilateral ODA budget. It also reflects rising demands by the Ministry for Foreign Affairs (MFA) for aid representation in non-programme countries. Given Sweden's commitment to poverty reduction, the DAC questioned whether this dispersion of resources might not dilute its more targeted efforts in the programme countries and noted that there is an absence of well-developed phase-out or exit strategies. The DAC also questioned how Sida ensures that NGO activities - which receive a third of bilateral ODA - are in accordance with Sweden's policies and priorities.

0.6 Sweden strongly supports the development partnership strategy described in *Shaping the 21st Century: The Contribution of Development Co-operation*. Nevertheless, the DAC noted that neither poverty reduction as an overarching goal nor the international development goals (IDGs) have been specifically incorporated into Sida's strategy documents, particularly at the field level. This may partly be explained by the focus on the six Parliament-mandated objectives, which have tended to become ends in themselves rather than parts of a coherent approach to an overall poverty reduction strategy. Examples include free-standing activities supporting human rights and democratic governance, areas of increasing emphasis in Sida's programming.

0.7 Results-based management does not appear to be a dominant theme of the Swedish aid programme, thus making it difficult to assess Sweden's contribution to achieving the IDGs. To the extent that assessment is made, Sida estimates that 20% of its activities have been classified as not having any effect on poverty reduction. The DAC also noted that further analysis into the linkages between gender inequality and poverty could help Sida demonstrate more conclusively to stakeholders how gender equality leads to poverty reduction.

### **Emerging need for greater policy coherence**

0.8 In Sweden, the perception of the general public and the private sector of the role of ODA is changing. While public support for development assistance remains strong enough to sustain high aid level, there are some signs of weakening. Opinion surveys show donor fatigue and a lower expectation of ODA as a catalyst in achieving poverty reduction. At the same time, the private sector believes that both Sweden and poor countries would benefit from enhanced trade relations, and so urges that Sweden's own economic interests be reflected more in the development co-operation programme. At a broader level, development co-operation is also being placed increasingly within the wide range of competing foreign policy priorities, such as relations with the Baltic Sea region and the Balkans, as well as Sweden's role in the European Union.

0.9 These competing interests reflect the acknowledged need for greater coherence among Sweden's different policies and priorities affecting developing countries. In 1996, major re-organisations of the MFA

and Sida were carried out as part of an effort to bring more coherence to Sweden's external relations. While the objectives have mostly been achieved, the MFA is still faced with some key policy coherence issues, such as the importance of reconciling trade policy and poverty reduction. Efforts are also needed for Sida to fully implement the merger. For example, research co-operation can be better integrated into the overall aid programme, particularly bilateral activities in country programming. Sida has also yet to develop a cohesive programme in infrastructure that would consolidate its various instruments under the overarching goal of poverty reduction.

0.10 Other areas where coherence could be more fully addressed are export credits, debt reduction and the untying of aid. Although an environmental policy was recently established for the Swedish Export Credit Guarantee Board's operations, effective implementation of the policy will be challenging. While Sweden's long-term and active involvement in debt relief is well known, it also remains an important creditor through its export credits, with USD 2.8 billion owed by low-income countries in 1999. Research co-operation and NGO support are largely earmarked for Swedish entities and thus the extent to which the Swedish aid programme as a whole is *de facto* untied could be discussed further.

0.11 Compared to several other DAC Members, parliamentarians in Sweden are involved substantially in the details of the nation's development co-operation. As a notable example, the Parliament appointed the *Commission of Inquiry into Swedish Policy for Global Development* to investigate how coherent policies should be formulated in combating poverty under the new conditions created by globalisation. The Commission is expected to submit a report and comprehensive proposals for revising Swedish policy in October 2001.

## Recommendations

0.12 Based on these findings, the DAC:

- Strongly endorses Sweden's plan to increase ODA so as to reach 0.81% of GNP in 2003 and encourages it to reinstate the long-standing goal of 1% ODA/GNP within a specified time-frame.
- Urges clarification of the status of "Programme Countries" and their appropriate share of bilateral ODA. The development of guidelines on sustainability, phase-out and exit strategies of country programming would be beneficial.
- Suggests that Sweden consider, in view of their strong support for the development partnership strategy, reconfirming poverty reduction as its overarching goal.
- Encourages greater attention to the IDGs, improved results-based reporting and establishment of an overall monitoring system for cross-cutting issues. ODA activities assessed as having no direct or indirect effect on poverty should be reviewed to ensure consistency with the stated goal.
- Supports continued implementation of new and innovative approaches in country operations to improve effectiveness - in particular, the preparation of a plan for expanding the decentralisation and delegation of authority to field offices.
- Encourages stronger mechanisms for developing staff skills relating to policy coherence in the MFA, including the capacity to deal with the linkages between export credits, trade and untied aid with poverty reduction.
- Urges completion of Sida's merger by developing a cohesive programme in the infrastructure sector and integrating research co-operation more fully into the overall system and at the country level.

- Appreciates Sweden's strong support for multilateral institutions and endorses the continuation of such efforts.
- Suggests that Sida pursue appropriate ways to follow-up on the findings and recommendations in its recent study on the usefulness of evaluations.

## CHAPTER 1

### OVERALL FRAMEWORK AND NEW ORIENTATIONS

#### 1.1. Sweden's national experience in development co-operation

1. Sweden's commitment to development co-operation is firmly rooted in its own national experience, particularly from the late 19th and early 20th centuries. Sweden was then a poor, isolated, and agrarian society, with bad harvests and starvation inducing one million citizens to emigrate to North America. Today's older generation still remembers the struggles, and the younger generation is aware of this period from family history, literature and movies. Subsequently, the government focused its domestic policies on poverty reduction, rural infrastructure, a comprehensive social security system, as well as on an export-oriented industry based on foreign direct investments. These elements transformed Sweden to a modern, democratic, and economic power, in which the fruits of economic growth were equitably distributed.

2. Development assistance in Sweden was established more than 40 years ago, with churches, popular movements and NGOs being the main driving forces. The shared national experience has created a stance of solidarity and sympathy towards poor people in developing countries, particularly towards those with common socialist principles. Sweden maintains a strong belief that poor countries can lift themselves out of poverty if they are provided with support. It also believes that democracy and strong participation from civil society are essential in the developmental process.

3. Unburdened by the legacy of colonialism, Sweden has a long tradition of church-sponsored missions, particularly in Africa and Asia. This has led to a vibrant civil society committed to the concept of assisting those in need. Furthermore, Sweden avoided both world wars and considers itself fortunate to have kept its infrastructure and socio-economic systems intact. It therefore maintains a policy of neutrality, which has strengthened the perception among developing countries of Sweden as an "honest broker" and committed "peace-maker". Sweden also remains as a strong supporter of the United Nations (UN) and other multilateral institutions.

4. These factors, *inter alia*, form the basis of political and popular support for Sweden's development co-operation programme, which has one of the highest official development assistance (ODA)/gross national product (GNP) ratios among DAC Members. At the same time, Sweden also acknowledges that simple analogies cannot be made with its national experience and that more analytical thinking is needed in what is applicable in today's open and integrated global economy.

#### 1.2. Parliament and foreign policy priorities

5. In Sweden, overall goals and objectives are established by Parliament, based largely on policy initiatives generated by the Ministry for Foreign Affairs (MFA) with analytical backing from the Swedish International Development Co-operation Agency (Sida). Parliament also has a strong role in determining budgetary items for development agencies. The Parliamentary Committee on Foreign Affairs is responsible

for a broad range of development co-operation issues, including monitoring the aid programme of the European Union (EU) to developing countries and Central and Eastern European Countries (CEECs) (see Chapter 5).

6. Sweden remains among the top performers in its aid efforts and it plans further increases in its ODA contribution (see Chapter 2). However, compared to the peak years when more than 0.9% of GNP was spent on ODA, the budget for development co-operation, particularly with non-CEECs, has recently declined. Development co-operation has also increasingly been placed within a wider range of competing foreign policy priorities, elaborated in *The Government Policy in the Parliamentary Debate of 9 February 2000*, and broadly categorised as: a) “a good neighbourhood” (among the Nordic and Baltic states), b) “Sweden in Europe” (its role in the EU), and c) “Sweden in the world” (global security through multi and bilateral relationships).

7. The policy clearly shows the new features of Sweden’s foreign relations, which is centred around the Baltic states and its role in the EU. In particular, Sweden’s ambitions for its EU presidency from January to July 2001 are expected to preoccupy the public administration as well as the nation’s interests. As part of this new policy direction, development co-operation is placed within the context of global security, whose main themes include: democracy and human rights, poverty reduction, free trade, a sound environment and disarmament. Referring to the development partnership strategy described in *Shaping the 21<sup>st</sup> Century Strategy*, the policy paper states that development co-operation alone cannot achieve the agreed international development goal (IDG) to halve the number of people living in extreme poverty by 2015, and that all policy areas must be mutually supportive.

8. Sweden has recognised that development co-operation in this broader foreign policy context requires a greater degree of coherence among different programmes. It is therefore committed to enhance coherence of policy areas such as trade, environment, security, migration and refugees with development co-operation policies. In addition, Sweden is aware that aid can often have only a limited role in the socio-economic development of poor countries. To promote policy coherence, the MFA has been reorganised (see Chapter 5), while the Parliament has recently appointed the Commission of Inquiry into Swedish Policy for Global Development to investigate how coherent policies should be formulated in combating poverty in the new conditions created by globalisation (see Chapter 4).

### **1.3. Overall development co-operation goals and objectives**

9. Since 1962, Sweden’s overall goal in development co-operation has been to raise the standard of living of people in poor nations, i.e. sustainable poverty reduction. The six specific objectives adopted by Parliament in order to achieve this overarching goal - the last one being established in 1996 - have remained unchanged since the last DAC Peer Review of Sweden. These six objectives are stated to be of equal importance and should interact with each other in order to achieve poverty reduction. They are: 1) economic growth; 2) economic and political independence; 3) economic and social equality; 4) democratic development in society; 5) the long-term, sustainable management of natural resources and the protection of the environment; and 6) equality between men and women.

10. For co-operation with CEECs, there is no overarching goal related to poverty reduction. Parliament has established four non-hierarchical goals, which are ends in themselves: 1) promotion of common security; 2) deepening of the culture of democracy; 3) supporting a socially sustainable economic transformation process; and 4) supporting environmentally sustainable development. Until recently, these had also been applied to poor countries such as Albania, Bosnia Herzegovina, Macedonia, the former Yugoslavia and others, which are categorised as ODA recipients. However, the budget bill for 2000 stipulates that these countries are to have the same goal and objectives as the other ODA countries.

#### 1.4. Recent developments and new orientation

##### *Re-emphasis on poverty reduction*

11. Among DAC Members, Sweden is among the leaders in policy formulation relating to development co-operation and poverty reduction. Sida established a Task Force on Poverty Reduction in 1994 to critically analyse Swedish poverty reduction efforts. As a result, it produced in 1996 a report titled *Promoting Sustainable Livelihoods*, which identified problems and trends in Swedish co-operation. An outcome of the report was the production of a government document entitled *The Rights of the Poor: Our Common Responsibility*, endorsed by Parliament in 1997. This report presents the range of Sweden's policies and prerequisites to combat poverty. It proposes ways of strengthening Sweden's external anti-poverty efforts, in terms of strategy, methods and channels at different levels, through both multi and bilateral co-operation. It emphasises the need for a holistic approach with better co-ordination based on a long-term perspective in achieving sustainable results. The need of ownership over policies, programmes and projects by the recipient government and the empowerment of poor people permeates the report.

12. The report states that Sida should strengthen the anti-poverty profile of development co-operation through, *inter alia*: establishing a permanent task force on poverty within Sida; continuing to concentrate on the poorest countries, particularly those that pursue an active anti-poverty policy; basing country strategies on in-depth poverty analysis; considering the impact on poverty in all future evaluations; having a highly qualified field representation in important co-operating countries; paying special attention to certain groups of poor people; and focusing dialogue with governments and other donors on poverty issues and appropriate antipoverty policies. Although the document mainly sets out broad orientations and is limited in operational guidance, the principles that are laid out are generally supported by Swedish aid workers including NGO staff.

13. Sida management initiated in October 1999 a project called "An Internal In-depth Process with Poverty in Focus" or in short, "Sida's Poverty Project," to be completed by June 2001. The Project is intended to facilitate a learning process in poverty focus which includes Sida's own experiences, as well as knowledge and processes of other national and international institutions. The aim is to result in the development of new methods and operational guidelines for poverty reduction. The timing intentionally coincides with the DAC Poverty Network's task of producing the Guidelines on Poverty Reduction. Through endeavours such as these, Sweden is continuously fine-tuning the poverty focus in order to improve its aid programme.

##### *Aid dependency*

14. Sweden has devoted considerable efforts to reflect on the issue of aid dependency and has commissioned several studies on the topic.<sup>2</sup> They examine causes, symptoms and remedies and discuss how aid relations must change in the future in order to avoid negative side effects to the recipient countries. In general, the conclusions suggest that large amounts of aid may reduce local ownership, accountability and democratic decision-making, while fragmenting budgets and lowering domestic efforts in tax collection. Some specific findings include, *inter alia*: the more aid is received, the farther the country moves away from self-sustained growth; dependency increases passivity on the recipient side; over-reliance on foreign expertise discourages local ownership; and human resources development and

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2 *Aid Dependency: Causes, symptoms, and remedies*, Sida, 1996; Deborah Bräutigam, *Aid Dependence and Governance*, EGDI, 2000.

enhanced agricultural/industrial production will result in greater public savings and increased export earnings, which will reduce the need for foreign aid.

15. The recommendations to combat aid dependency include, *inter alia*: reward the quality of programming as opposed to quantity of disbursements; introduce a programme approach with pooling of resources; decentralise decision making to the field offices; support domestic resource mobilisation; provide assistance to export promotion; and remove obstacles related to trade policy that hinder developing country exports. Sweden is taking these findings and recommendations seriously, particularly for countries such as Tanzania, which has been a major recipient of Swedish aid [over United States dollar (USD) 2 billion since 1965]. It is particularly concerned with side-effects of “mental dependency” more than the financial aspect itself, as this is the key for partner countries to regain ownership and leadership over their own course of development. Conversely, in the context of the recent increase in the number of partner countries (see Chapter 2), it seems that Sweden still faces a challenge in defining clear guidelines on sustainability and exit strategies. Linking the remedies to reduce aid dependency with well-conceived exit strategies is an area in which Sweden could further develop and implement in its aid programme.

### 1.5. IDGs and results orientation

16. Sweden strongly supports the development partnership strategy described in *Shaping the 21st Century: The Contribution of Development Co-operation*. Nevertheless, it appears that neither poverty reduction as an overarching goal nor the international development goals (IDGs) have been specifically incorporated into Sida's strategy documents, particularly at the field level. The IDG of halving poverty by 2015 is not explicitly the basis of Sweden's programme nor is it often referred to. This may partly be explained by the focus on the six Parliament-mandated objectives, which have tended to become ends in themselves rather than parts of a coherent approach to an overall poverty reduction strategy. Like other donors, Sweden has yet to develop a theoretical model for understanding the causal relationships involved in poverty reduction, which is often treated as one among the other action programmes - gender, environment, democracy, and so on (see Chapter 6). Sweden is encouraged to consider whether the IDGs might be used to give the programme a sharper focus on poverty reduction.

17. Results-based management does not appear to be a dominant theme in programming and little attention seems to be paid to setting measurable targets and indicators of progress. Country analyses and strategies lack method and data for measuring and analysing impact. The report on *Swedish Aid for Poverty Reduction: A History of Policy and Practice* concludes that, “there is a significant gap between policy and practice. Judging from what we can see from the practice, it would be much more correct to say that Swedish aid policy has a clear welfare orientation. It is difficult to see the supreme objective of poverty reduction clearly and consistently reflected in Swedish aid practice.”<sup>3</sup> In response, Sweden states that this “should be set in the perspective that Sweden did pull itself out of poverty by creating a welfare state. There is thus no material difference between the concept of welfare creation and addressing poverty.”

18. Sweden further maintains that it is trying to shift away from the simplistic approach of improving the economic living standards of the poorest people. Sweden takes a holistic perspective of the issue of being poor; that it should not only - or in some cases principally - be seen as having low material consumption, but as being excluded, unprotected, denied participation and voice, deprived of security and access to decent services. Therefore Sweden tries to ensure that its efforts in development co-operation

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3 . Carlsson, Jerker. *Swedish Aid for Poverty Reduction: A History of Policy and Practice*. ODI Working Paper 107, 1998, p. 56.

does not become only charitable handouts to poor individuals and groups. In this regard, Sweden recently introduced the human rights approach to poverty reduction, which is also reflected in the increasing allocations towards human rights and democratic governance (see Chapter 3). The Minister for International Development Co-operation emphasised that "The eradication of poverty is not merely a question of a fairer distribution of resources. It also involves the distribution of power. When all human beings relate influence both on their own lives and developments in their country, this results in stable, secure and just societies. This is a prerequisite for global survival, and it calls for democratic, responsible forms of government, respect for human rights and effective judicial systems."<sup>4</sup>

19. Thus, in addition to working directly to benefit poor groups, Sweden works indirectly to create better economies and societies which are to the benefit of all. The latter, more "indirect" work thereby includes the dimensions of macro-economic and macro-political dialogue and reform as well as co-operation in policy development. Sweden firmly believes that poverty will never be substantially and sustainably reduced without extensive work being done at the macro-economic and macro-political level of society.

20. In this context, Sweden states that one cannot support democratisation, macro-economic stability, or economic growth, only in projects directly aimed at the poor. There is an inherent value in working for these more macro-level objectives, which should not be ignored. Sweden does not believe that if a nation becomes more democratic, or attains higher economic growth, that this will automatically increase the level of consumption of the poor. It believes that, on the other hand, it will make a society that is more pleasant in some of its most important dimensions for the poor, as well as everyone else, to live in.

21. Sweden is therefore trying to introduce the "rights" based approach to poverty reduction in the donor community, but some donors are expressing reservations, stating that such an approach is merely semantics and not philosophy. Critical remarks were also made by stakeholders during the field visits to Viet Nam and Tanzania for this Peer Review, stating that "rights" and "entitlement" are not intrinsic and that each partner country needs to define, prioritise, and respect them within its own developmental and social context. Even in *The Rights of the Poor*, the term "rights" is not explicitly defined, and Sweden itself admits that more conceptual work needs to be done in this area.

22. What Sweden does not often emphasise is how the poor people and governments in its co-operating countries themselves define poverty and how they prioritise what their needs are in their specific socio-cultural and economic context. Sweden values and typically demonstrates mutual respect *vis-à-vis* partner governments and is often an attentive listener to the voices of the poor by being involved in various household surveys and promoting participatory approaches. Therefore, Sweden could take more advantage of its bottom-up approach by showing that the poor and the society of the partner countries themselves prioritise democracy, human rights, gender equality, or basic human needs, and how these could lead to what they themselves define as poverty reduction and a desirable society to live in. The IDGs, endorsed by all the member countries of the UN, would be a useful basis to begin the discussion.

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4 *Sweden's International Development Co-operation Yearbook 1999*, p. 4.

## CHAPTER 2

### AID VOLUME, CHANNELS AND ALLOCATIONS

#### 2.1. Official development assistance volume

23. Sweden remains a leader among DAC Member countries for the large share of GNP it provides as ODA. It has surpassed the UN's 0.7% ODA/GNP target each year since 1975 and has been above the DAC average for three decades. A brief account was given in the last Peer Review and recent record is shown in Table I.1. The latter shows that Sweden's ODA performance has continued to decline in recent years. As with other items of public expenditure in Sweden, ODA has been affected by moves to correct major fiscal imbalances. In 1995, Sweden embarked on a stringent budget cutting exercise to halt definitively large deficits and to reverse the build-up in public debt. As part of these measures, the Parliament suspended its previous target for 1% ODA/GNP allocations and replaced it with a floor of 0.7%. Another consequence has been the fixing of annual expenditure ceilings on Sida's disbursements of ODA in 1999 (see Chapter 5).

24. These measures resulted in Sweden's net ODA disbursements declining from the peak of USD 2.0 billion in 1992 to USD 1.7 billion in 1999.<sup>5</sup> Expressed as a share of GNP, this corresponded to a fall from 1.03% to 0.70% - its lowest level since 1974. To prevent the ODA/GNP ratio in 1999 from falling below the UN's target, the government exceptionally agreed to additional expenditures towards the end of the year for emergency assistance in Kosovo and Turkey and for advance payments to some multilateral agencies. This demonstrated Sweden's strong commitment to international assistance, despite the serious economic challenges it faced domestically.

25. Sweden's economic reforms have had their desired effect and the fiscal situation has now been turned around and recording budget surpluses. The OECD's latest Economic Survey assesses that the Swedish economy is in a more balanced situation than at any time during the past decade. The MFA has an ambition to reinstate its 1% target and Sweden's public finances appears to make this possible. Substantial increases in ODA disbursements are already expected in the near future with the government forecasting the ODA/GNP ratio to rise to 0.72% in 2000, 0.73% in 2001, 0.74% in 2002, and 0.81% in 2003. This will be funded by both increased allocations - despite the overall public budget decreasing - and the disbursement of Swedish Kronor (SEK) 3.6 billion (USD 400 million) of unspent ODA. While Sweden sees a challenge in spending funds effectively once the increases come on stream, this expansion is welcome news for the development community as it represents additional resources becoming available to developing countries and the maintaining of a high standard for other donors to emulate.

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5. In 1998 prices.

## 2.2. ODA bilateral channel: policies and allocations

### *Grants*

26. Sweden's bilateral ODA is mostly extended as grants. Approximately 85% of Sweden's bilateral ODA directly finances activities for developing countries, with the rest being administrative costs (8%) and maintaining refugees in Sweden (8%). Of the direct bilateral aid, around one third is channelled through Swedish, international and southern NGOs, and a fifth is channelled through multilateral agencies as multi-/bilateral assistance.

27. The destination of Sweden's bilateral ODA indicates a clear focus on countries with low levels of *per capita* income, consistent with the poverty reduction objective of Sweden's development co-operation. Approximately three-quarters of Sweden's allocable bilateral ODA benefits least developed and other low-income countries, which is well above the DAC average of about 55%. Accordingly, 15 of Sweden's 20 largest recipients in 1998-99 were least developed or other low-income countries. Very little Swedish ODA is directed to upper-middle income and high-income countries.

28. One way Sweden tries to achieve its objective to reduce poverty is by aiming to devote approximately half its bilateral ODA to Africa. In 1998-99, about half of Sweden's allocable bilateral ODA was directed to Africa (mostly to sub-Saharan Africa), well above the DAC average of 36% in 1998. Sweden's co-operation activities in Africa are now guided by the government's 1998 policy statement, *Africa on the Move: Revitalising Swedish Policy towards Africa for the 21<sup>st</sup> Century*, which provides for an increase in Africa's share of aid. On the other hand, a relatively small share of Sweden's bilateral ODA is directed to Asia - 23% in 1998-99 compared to the DAC average of nearly 40%. Although poverty rates are higher in Africa, the absolute number of people living in poverty is considerably larger in Asia. In particular, nearly half the world's poor live in South and Central Asia.

29. For many years, most Swedish bilateral ODA was channelled to approximately 20 programme countries through specific "country frames" approved by the government. However, according to DAC data, over the last decade, the number of recipient countries has increased markedly, from 72 in 1988-89 to 120 in 1993-94 (see Table I.4). A long-term objective set when Sida was created in 1995 is to reduce the number of countries and to concentrate efforts where the best results can be achieved. With 112 countries in 1998-99, some reduction in the number of co-operation partners has occurred. Nonetheless, Sweden's development assistance continues to become more diluted with the share of allocable bilateral ODA directed to its 20 largest recipients falling from 92% in 1988-89 to 72% in 1993-94 and 68% in 1998-99.

30. One explanation for this is the progressive establishment of budget lines for Sida's nine operational areas (see Chapter 3). These funds are disbursed without any geographical limitation. Today, more than half of Sweden's bilateral ODA is provided through these budget lines; and the share of bilateral ODA channelled to programme countries through country frames has fallen to nearly 40%. In 1999, one third of Swedish ODA to its programme countries was provided outside the country frames.

31. Sweden currently has 18 programme countries where it is involved in more comprehensive or complex co-operation and where its activities are governed by country strategies/guidelines and agreements covering several years: a) ten least developed countries: Angola, Bangladesh, Cambodia, Eritrea, Ethiopia, Laos, Mozambique, Tanzania, Uganda and Zambia; b) four other low-income countries: Kenya, Nicaragua, Viet Nam and Zimbabwe, and c) four lower/middle-income countries/territories: Namibia, South Africa, Sri Lanka and West Bank/Gaza. In 1998-99, two-thirds of Sweden's allocable bilateral ODA was directed to programme countries, with fourteen of them being among the 20 largest recipients.

32. Guinea-Bissau and India were also programme countries until recently. The country strategy for Guinea-Bissau has now been incorporated into the regional strategies for South America and West Africa, respectively. Sweden's co-operation agreement with India was terminated in 1998 as a direct consequence of its nuclear weapon tests and bilateral contributions there are being phased out. Some non-programme countries have a particular status within the Swedish aid system: co-operation with Burundi and Rwanda is regulated by a special government decision even though there is no specific country frame; country strategies are being finalised for China, Indonesia, Thailand and the Philippines; guidelines for Kosovo and the surrounding area have been developed; and co-operation with the western Balkans has the character of a regional approach. In addition, the government has decided to step up aid activities in West Africa, particularly in Burkina Faso and Mali. Hence, the classification "programme country" no longer has the same significance within the Swedish aid system that it once had. However, the importance of this designation may increase again as Sweden intends to collapse some specific budget lines into the country and regional frames.

### *Loans*

33. Sida manages a small loan programme that primarily finances infrastructure activities. According to Sida's annual report, from 1997 to 1999, approximately USD 64 million was disbursed as credits, guarantees, and loans. The programme consists of: a) concessionary credits (tied and untied), for which only the grant element is financed from the aid budget and reported to the DAC; b) ODA loans with a high grant element corresponding to IDA terms, normally untied; c) quasi-equity loans, in most cases extended in collaboration with Swedfund to joint ventures; and e) a freestanding guarantee facility, which has been set up on a trial basis for three years.

34. Some recipients of these credits, guarantees, and loans have been low income countries, such as Angola, Eritrea, Ethiopia, Mozambique, Namibia, Tanzania, Uganda, Zambia, Bangladesh, the Philippines, India, China, Sri Lanka, Viet Nam, West Bank and Gaza, Nicaragua, and Bolivia. The details of these activities, including conditions and tying status, are not reported to the DAC nor clearly spelled out in Sida and MFA annual reports. In fact, as a response to paragraph 10 in DCD/DAC/STAT(2000)3, which states "Members for whom no data are presented (Australia, Ireland, Greece, Luxembourg, New Zealand, Sweden) are invited to confirm the Secretariat that they are not owed any outstanding ODA debt", Sweden confirmed that it does not make ODA loans. Providing more public information on these activities, particularly regarding how they fit in to the main strategic priorities of country strategies, is strongly encouraged.

### **2.3. ODA multilateral channel: policies and allocations**

35. Over the last decade, Sweden has provided approximately 30% of its ODA multilaterally, which is in line with the DAC average. Sweden's multilateral share has not increased substantially despite its accession to the EU in 1995, as contributions to the European Development Fund (EDF) did not start until 1999 and contributions to some UN agencies were cut back in order to lower its overall ODA volume. While more of a guiding principle than an explicit goal, Sweden aims to provide a third of its ODA as multilateral assistance.

36. Sweden's multilateral ODA consists mainly of:

- Funding to more than 15 UN agencies (disbursements in 1999 of USD 222 million), with the largest contributions going to the United Nations Development Programme (UNDP), the United Nations High Commissioner for Refugees (UNHCR), and the United Nations

Children's Fund (UNICEF). Contributions to the World Food Programme (WFP) were previously large but have declined substantially.

- Contributions to international financial institutions (IFIs) (USD 169 million), in particular the International Development Association (IDA) of the World Bank and the African and Asian Development Banks (AfDB and AsDB).
- Contributions to the EU's development programmes (USD 90 million).

37. Sweden's strong support for the UN reflects an acknowledgement of its role as a global forum. Sweden is a significant contributor to several agencies - UNICEF, United Nations Relief and Works Agency for Palestinian Refugees, UNHCR, UNDP, the United Nations Population Fund and the World Health Organization (WHO). Sweden nonetheless takes a critical attitude to the UN's work and has been - and is - an active proponent of reform. Sweden promotes greater integration and co-ordination of UN activities in the field, such as by funding and monitoring tests of the United Nations Development Assistance Framework procedure. For Sweden, the world conferences held during the 1990s were important for clarifying the work of the various UN agencies and reducing duplication.

38. Sweden is also a strong supporter of IFIs, but sees a need for further clarification of the respective responsibilities of the World Bank and the International Monetary Fund (IMF), as well as introduce reforms at each institution. Sweden has worked with the World Bank on the implementation of the comprehensive development framework (CDF), to try to bring practice in the field closer to advocated policies. In countries where the CDF and Heavily-Indebted Poor Countries (HIPC) initiative are being piloted, the Nordic countries are sharing responsibility so that each focuses on monitoring developments in a limited number of countries. Nordic co-operation also functions in relation to the regional development banks, where one donor takes lead responsibility on behalf of its Nordic partners - Sweden is responsible for the AsDB and Inter-American Development Bank (IDB). Particular Swedish concerns in relation to the development banks include their need to elaborate clearer visions for their activities as well as raise the prominence given to gender and environment issues.

39. Sweden's annual contribution to the EDF commenced at USD 8 million in 1998 and will rise progressively. Sweden sees membership of the EU as an opportunity to work collaboratively with other European donors to influence one of the world's largest aid programmes. However, to date, Sweden finds its influence to be limited, even if it has identified bottlenecks in the system, particularly by highlighting difficulties in the areas of policy coherence, protectionism, fragmentation in activities and insufficient co-ordination. Sweden's longer term objective is to work towards ensuring that EU programmes contribute to poverty reduction as an overriding objective, pay greater attention to quality and efficiency, and collaborate more with other actors, particularly the UN agencies. Sweden is also encouraging a comprehensive EU annual report to be prepared, covering all its development co-operation activities and easily accessible statistics.

40. Sweden takes over the six-month revolving presidency of the EU on 1 January 2001. During this period, the UN Third World Conference on the Least Developed Countries and the five-year follow-up to the Conference on Human Settlements are scheduled. Preparations will also commence for the summits on development finance and the follow-up to the children's summit. Sweden has already distributed to its EU partners a document on the follow-up to world conferences, stressing the need to integrate these activities, possibly through a single follow-up mechanism for all UN conferences. It intends to pursue these proposals during its presidency.

#### **2.4. Non-governmental organisations: policies and allocations**

41. Roughly USD 400 million, or around one-third of Sweden's direct bilateral ODA, is channelled through mostly Swedish NGOs, particularly to finance activities in humanitarian assistance, conflict prevention, human rights, and democratic governance. A question that could be asked here is how does Sida ensure that such a large portion of aid being spent by NGOs is in accordance with Sweden's policies and priorities. Of this amount, about USD 260 million, or two-thirds, is disbursed to NGOs to directly implement Sida's programmes. The remaining third, or about USD 102 million, is channelled through a cofinancing scheme to "framework" or "umbrella" NGOs. Under this modality, applications for funding are not assessed on the merits of individual projects but based on NGOs' entire portfolios. This results in an assessment of the NGOs' systems for ensuring quality in the delivery of development co-operation activities. Sida's NGO cofinancing is not programmed by country or sector, and thus the geographical and sectoral distribution of this type of funding reflects the NGOs' own priorities. Sida's cofinancing is normally provided on an 80/20 basis.

42. The objective of the NGO co-financing programme for developing countries is to promote the development of a vibrant and democratic civil society and to strengthen local partners. In 1999, cofinancing was provided through 13 framework organisations to 380 Swedish NGOs implementing some 2 000 projects with 1 500 partner organisations in developing countries. Activities were primarily in the social sectors (49% of all NGO cofinancing) and in the area of democracy and human rights (23%), with 44% of funds directed to Africa, 25% to Asia and 22% to Central and South America.

43. The policy framework within which NGO programmes should be implemented is described in the *Guidelines for Sida's Support to Development Programmes of Swedish NGOs*. These guidelines were revised in April 1998 to increase the focus on local ownership, capacity building and organisational development. Sida uses two methods to enhance co-ordination with Swedish NGO activities in its country programmes: Swedish NGOs provide inputs when Sida develops its country strategies, and in-country consultations are held between the Sida offices and Swedish NGOs who may, on occasion, be joined by their local partners.

#### **2.5. Official aid to CEECs**

44. Sweden also has a substantial OA programme to support transitional CEECs. This programme is funded separately from the budget allocation for ODA to developing countries. Sweden's total net OA disbursements amounted to USD 99 million in 1999. In 1998, Sweden had the fifth-largest official aid/GNP performance in the DAC, behind Austria, Denmark, Finland and France.

45. Sweden's bilateral OA mainly benefits six priority countries, for which country strategies have been prepared: a) Estonia, Latvia, Lithuania and Poland, where activities focus on facilitating their candidacy for EU membership; and b) Russia and Ukraine, where the primary focus is on furthering their integration into European co-operation frameworks. In 1999, these six countries received 95% of Sweden's allocable bilateral OA, with the largest recipients being Russia (USD 19 million), Lithuania (USD 10 million) and Latvia (USD 10 million). Sweden's OA includes the cofinancing of projects with the World Bank and joint initiatives with the European Bank for Reconstruction and Development. Sweden anticipates the phase out of its direct bilateral support to Estonia and Poland.

46. Sweden's multilateral OA mostly consists of support through the EU's Phare and Tacis Programmes. This support totalled USD 45 million in 1996 and USD 50 million in 1997. Sweden has not notified any multilateral OA in 1998 and only USD 6 million in 1999, although support through EU programmes certainly continued.

47. Sweden's OA also co-finances NGO activities in the CEECs with an objective to deepen the culture of democracy. Funding of USD 9 million was provided in 1999 through 11 framework organisations (two of which work exclusively in this region) to 170 Swedish NGOs implementing projects with some 250 partner organisations. The policy framework within which NGO programmes should be implemented is described in the *Guidelines for Contributions to Development Programmes of Swedish NGOs in Central and Eastern Europe*. These guidelines were revised in September 1998 and now have essentially the same focus as the guidelines for NGO co-financing in developing countries.

## CHAPTER 3

### POLICIES AND ALLOCATIONS FOR KEY SECTORS AND CROSS CUTTING AREAS

48. Sida's operational areas include the following: human rights and democratic governance; social sectors; infrastructure, private sector development and urban development; natural resources; economic reforms; research co-operation; humanitarian assistance and conflict prevention; non-governmental organisations; information, recruitment and development of the Swedish resource base; and co-operation to CEECs. In terms of expenditures, Sida's largest operating area in 1999 was humanitarian assistance and conflict prevention (20%), followed by the social sectors (18%) and human rights, and democratic governance (15%). See Table 1 below.

Table 1. **Sida's disbursements (excluding administrative costs)**

USD million

Operational areas	1997		1998		1999	
	Amount	%	Amount	%	Amount	%
Human rights and democratic governance	133	13	130	15	136	15
Social sectors	222	22	174	20	167	18
Infrastructure, private sector and urban development	174	17	110	13	125	13
Natural resources	94	9	76	9	84	9
Economic reforms	44	4	31	4	52	6
Research co-operation	58	6	58	7	61	7
Humanitarian assistance and conflict prevention	133	13	147	17	186	20
NGOs	110	11	113	13	100	11
Information, recruitment and resource-based development	40	4	17	2	19	2
<b>Sub-total</b>	<b>1,008</b>	<b>100</b>	<b>857</b>	<b>100</b>	<b>931</b>	<b>100</b>
Co-operation with Central and Eastern Europe			69		66	
<b>Total</b>	<b>1,008</b>		<b>925</b>		<b>997</b>	

Source: Sida.

### 3.1. Human rights and democratic governance

49. Democratic development in society is one of the objectives in Swedish development co-operation. Sweden believes that developing and transitional countries need democracy, participation and a broad based political system in order to achieve socio-economic progress. This principle is founded on the belief that democracy and participation were well-anchored in Swedish society in its own process of nation-building. The government thus states that the promotion of democracy and human rights should be an essential feature in Swedish development co-operation. It also states that, however, poverty reduction is the over-arching goal and that democracy and human rights are not targets in themselves.

50. The government report, *Democracy and Human Rights in Sweden's Development Co-operation*, endorsed by Parliament in 1998, describes the approaches and tools to be used, the need for co-ordination between foreign policy and development co-operation and the principles of partnership in pursuing the mandate. It states that Sweden will promote democratisation and respect for human rights by: basing its initiatives on six international human rights conventions; acting on the basis of strategic analyses; developing forms of co-operation which are in demand and are supported by the recipients; applying a long-term, process-oriented approach based on a holistic perspective; and reinforcing national institutions and capacity. For these, Sweden will use a combination of: political dialogue; activities directly focused on democracy and human rights; and mainstreaming in other programmes which can promote these areas.

51. Democracy and human rights issues are to be analysed and addressed in country strategies. For some countries, a detailed analysis has been made regarding the way in which Sweden could promote these issues, as was the case for Viet Nam, Zambia, Mozambique, Tanzania and Laos in 1998. These analyses are based on a work-in-progress document entitled *Guide for Country Analysis of Democratic Governance and Human Rights*. Recent activities in this area aim to promote popular participation and to help increase efficiency, fairness, transparency and accountability of the public sector. Growing focus is said to be made in efforts to counter corruption, although Sweden has publicised very few practical guidelines on this topic. The specific areas in good governance include reinforcing central and municipal administration in financial control, resource management and the judicial system.

52. Sweden acknowledges that it faces several challenges and dilemmas in pursuing this area. First, the gap between the country strategy and implementation must be closed by developing methods with an emphasis on analyses and understanding of the local context. Second, mainstreaming of human rights and democratic governance in all activities, especially in the larger programmes, is needed. Third, Sweden recognises that, in countries where it is a relatively small donor with a small budget, there is a limit to its influence. Lastly, these projects require staff-intensive implementation and monitoring, particularly to ensure quality control.

53. Sweden's financing in the area of human rights and democratic governance has continuously increased and amounted to 15% of Sida's budget or SEK 1.1 billion (USD 136 million) of disbursements in 1999 (see Table 1). Accordingly, three new positions for regional advisors have recently been created in Nairobi, Harare and Bangkok. Sweden is planning to further augment activities in this area - by 2003, it tentatively plans to disburse around SEK 2.1 billion (USD 254 million) for approximately 1 300 projects in 85 countries and post 30 designated staff in the field. In light of this trend, there are two questions that merit further discussion: first, whether Sida and MFA staffing is sufficient to effectively monitor these highly complex areas carried out mostly by NGOs, and second, how Sweden could demonstrate more conclusively to partner country stakeholders that all these activities would support the overall goal to reduce poverty, as opposed to becoming an end in themselves.

### **3.2. Social sectors**

54. Sweden's disbursements in the social sectors have been relatively large, but have recently decreased both in terms of amounts and proportions of the budget (see Table 1). Sweden defines the following as social sectors: education, health, sexual and reproductive health and rights, drinking water, sanitation, and culture and the media. The aim to support these areas has been to reinforce the ability of partner countries to establish the prerequisites for social development, particularly by focusing on better education and high quality health care, something to which Sweden believes everyone should have access. Sida is increasingly taking on a sector-wide approach in the social sectors and has participated in the development of sectoral or sub-sectoral programmes for health and education in six countries (Bangladesh, Zambia, Ethiopia, Mozambique, Uganda and Tanzania). The following are some examples of Sweden's

focus areas: a) education: education policy and reform, teachers' education and development of teaching materials; b) health: healthcare reforms, pharmaceutical issues, reproductive health with a special emphasis on young people, networking and HIV/AIDS (see Box 1); c) drinking water/sanitation: development of systems to recycle nutriment from latrines to the natural environment; and d) culture and the media: promotion of democratic processes, culture and cultural diversity. Some activities in education and health in Viet Nam and Tanzania are referred to in Chapter 6.

### Box 1. Sweden's response to HIV/AIDS

Around 34 million people in the world are currently infected with HIV/AIDS, of which over 95% live in developing countries. Sub-Saharan Africa is the worst affected region of the world, with 24 million people infected. In Botswana, Swaziland, Zimbabwe and Lesotho, one out of every three to four adults are living with HIV. In large towns of Central, Eastern and Southern Africa, the HIV prevalence rate among pregnant women can exceed 50%. While rates in Asia remain relatively low (approximately 8 million), infection is beginning to spread rapidly through the vast populations of India and China. In Eastern Europe, Latin America and the Caribbean, infections are concentrated in marginalised groups, though clearly not limited to them.

AIDS has never posed a bigger threat to development. HIV/AIDS mostly affects young adults who would normally be in their peak productive years. The multiple repercussions of these deaths are reaching crisis levels - deteriorating child survival, diminishing life expectancy, overburdened health care systems, increased orphanhood, losses to business and crumbling public services. Governments in countries such as Malawi are almost paralysed as a high proportion of civil servants are either infected or absent by caring for others and attending funerals. HIV/AIDS is not just a health issue, but cuts across all aspects of socio-economic development. Capacity building, education, and other investments in human resources by donors towards the nation-building of these countries will be lost, if the survival of skilled young people cannot be better assured.

Sweden's initiative to deal with this major crisis has been the development of a cohesive strategy against HIV/AIDS, which is articulated in a booklet entitled *Investing for Future Generations – Sweden's International Response to HIV/AIDS*, published in 1999. It describes the increased efforts that Sweden will make to prevent and mitigate the impact of the disease. The strategy confirms Sweden's intention to take a more active role internationally to ensure that a concern for HIV/AIDS is made more central to development programming. With the multilateral institutions, Sweden will work actively with UNAIDS and the European Commission (EC) to promote greater dialogue on the developmental effects of HIV/AIDS. In the bilateral programme, there will be a shifting of focus from a mainly health approach to a broader, multi-sectoral approach. Three regional AIDS specialist posts have been recently created in Harare to implement the strategy in Sub-Saharan Africa. Efforts will especially be concentrated on the following four strategic goals: HIV prevention, political commitment, care and support and the alleviation of long-term effects. Development and implementation of training for all staff across sectors and geographical areas will inevitably be required to mainstream this strategy. Sweden could also assist the partner countries and muster support from other donors to either develop or effectively implement national HIV/AIDS programmes. In view of the rapid infection rate in many of Sweden's partner countries, speedy mainstreaming of the strategy and the establishment of an effective monitoring system are strongly encouraged.

Sida's Department for Research Co-operation has also developed a separate strategy for research co-operation in the area of HIV/AIDS. This strategy stipulates that Swedish research co-operation in this area has an important role to play, both internationally and nationally, and particularly in developing countries. For example, support has been directed to Tanzania through a collaborative research programme, with, according to the Department, satisfactory outcomes. Considering the constrained resources that these countries have in proportion to the magnitude of the crisis, it is important to ensure that research activities are an integral part of a country's priorities in dealing with HIV/AIDS and that the results are planned from the outset to be integrated in Sweden's country programming or the country's sectoral programme for the actual prevention or care for the disease.

55. According to DAC statistics, Sweden committed USD 102 million, or 15% of its total bilateral allocable ODA to basic social services (BSS) in 1997-98 (see Annex II). BSS includes non-tertiary social sectors such as basic education and health, population programmes and poverty oriented water supply and sanitation systems. While the accounting of BSS still has limitations across all DAC Members, this data shows that Sweden's aid to BSS is clearly ahead of the DAC average of 10%.

56. This leads to the topic of the Copenhagen 20/20 Initiative, which encouraged interested donors and recipients to allocate 20% of aid and 20% of national budgets to BSS, respectively. If Sweden's imputed multilateral commitments to BSS (USD 68 million) is added to its bilateral commitments, its overall aid to BSS amounts to USD 170 million, or 17% of total ODA. This is higher than the DAC average of 11%. Sweden, however, has taken an ambiguous position on the 20/20 Initiative. While agreeing to its broader principles, it has not committed itself due to lack of domestic support. Sweden is nevertheless encouraged to continue allocating sufficient resources to BSS, especially since many of the IDGs, which Sweden has committed to - increasing school enrolment rates, reducing infant, child and maternal mortality rates and providing reproductive health services - are affected by increased donor funding towards BSS.

### 3.3. Infrastructure and private sector development (PSD)

57. Table 1 shows that Sweden disbursed USD 125 million or 13% of Sida's budget for infrastructure, private sector and urban development in 1999. The proportion of disbursements to this area is generally decreasing in recent years (Table I.5).<sup>6</sup> According to Sweden, infrastructure includes areas such as energy, roads, transportation and telecommunications. In 1999, the largest recipients of infrastructure assistance included Bosnia-Herzegovina, Tanzania, Bangladesh, Mozambique, South Africa, Viet Nam, Laos and West Bank/Gaza. As mentioned in Chapter 2, some infrastructure projects are financed through loans and credits. Recent examples include soft loans of SEK 185 million (about USD 22 million) for a transmission line in Gaza, and a concessional credit of SEK 94 million (USD 11 million) for the improvement of public transport in Dhaka. Recently, Sida developed a new credit policy that stipulates what should be financed by loans as opposed to grants.

58. A new feature of Swedish support in infrastructure is to enable increased initiatives and involvement by the private sector for both physical investments and technical support. In particular, Sweden is phasing out of the telecommunications sector [except in information, communication and technology (ICT), (see 3.5 Research Co-operation)], though this used to be a priority area in Swedish co-operation. Sida, on the other hand, is increasingly supporting soft areas such as sectoral reforms, rural development and capacity building. In consultation with the Swedish Export Credit Guarantee Board (EKN\* *Exportkreditnämnden*), Sida proposed an independent guarantee system to provide new solutions for the financing of private sector infrastructural investments and the utilisation of local capital markets. However, the Asian crises restricted the level of infrastructural investments in 1998. Sweden is also trying to strengthen the relationship between economic growth and poverty reduction, as mentioned in Chapter 1, particularly in the road and energy sectors. For example, in Tanzania, Sweden states that it is trying to reinforce the link between rural infrastructure and market development.

59. Urban development, PSD and promoting trade are also important features in Sida. Disbursements for urban projects increased from USD 7 million in 1998 to USD 18 million in 1999, due to the greater emphasis on improving the situation of poor people in the cities. Sweden is also focusing on PSD in six to eight of the 18 programme countries. Initiatives in 1998 predominantly concentrated on: development of

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6. Reporting on the DAC Questionnaire may vary slightly from reporting of individual aid activities due to differences in categorisation.

institutional frameworks, reform of government-owned companies, company alliances, human resource development and trade policy. There is a special development programme budget for PSD, but activities are increasingly being funded from country frames as they are now being fully integrated into country strategies. In the meantime, studies have been carried out on PSD in Uganda, Bangladesh, Viet Nam and Tanzania to feed into the respective country strategies.

60. There are currently 75 staff in the Department for Infrastructure and Economic Co-operation, which is one of the largest units in Sida. The Department admits that the activities in these areas are to a large degree still a heritage from the period before the organisational merger in 1996 (see Chapter 5). In particular, the firewall between ODA activities with a clearly identified objective to reduce poverty and loan/credit related activities with an objective to promote Swedish industry and institutions seems somewhat blurred. While Sida's credit policy states that credits are governed by the poverty reduction objectives, Sida states that "there is definitely no 'firewall' between ODA activities and loans/credits. The latter are assessed according to the same criteria as grants. The difference is that normal ODA activities are identified and prepared by Sida in a proactive manner while the mixed credits are of a reactive type, i.e. Sida has to assess the projects (submitted by the private sector) when they are well advanced in terms of preparation. Sida will, thus, in such cases have fewer possibilities to influence the project design and will have to make a decision of approval or rejection of an already advanced project." How this constitutes as a cohesive programme that brings together the various instruments for the infrastructure area and is coherent with the overall objectives and priorities of Swedish development co-operation could be further clarified.

### **3.4. Natural resources, environment and sustainable development**

61. Long-term, sustainable management of natural resources and the protection of the environment is one of the objectives of Sweden's development co-operation. Although Sida has a special budget for natural resources and environment (9%, see Table 1) to implement specific activities such as information-sharing on global warming and bio-diversity, the environment is not regarded as a one-dimensional sector, but more as a cross-cutting area that has linkages with poverty, development, risk of conflict, population, sustainable energy and so on. Hence, environmental perspectives are to be included in, *inter alia*, all country analyses, projects, programmes and work of all Sida departments. Integration of environmental impacts in economic analysis will also be carried out to the greatest extent possible.

62. Sweden has had a series of Action Programmes for Sustainable Development, with the latest version encompassing 50 sub-goals and 153 action points for 1998-99. As a result of these Action Programmes, several pertinent policies have been developed: sustainable energy, water resources, agriculture, forestry resources, rural development, urban transport, trade and the environment, and environmental education. There is also a new guideline for Environmental Impact Assessments (EIAs) - compulsory for all Sida projects in certain sectors - with a supplement to be added that will give guidance on how to conduct EIAs in Sector-Wide Approaches (SWAs).

63. Sida's Environment Policy Division is co-operating in multilateral activities related to environment in close co-ordination with the MFA, Ministry of Environment, the National Environment Protection Agency and other relevant groups, especially in follow-up work to the UN Conference on Environment and Development and related international environmental conventions. Since 1997, Sida has participated in a programme of co-operation with the AsDB with the aim of promoting the sustainable use of resources in marine and coastal areas in the South China Sea. Sida has also been heavily involved in the Secretariat of the Global Water Partnership and facilitated the development of a framework for implementing its global water vision in 1999.

64. The Division is also responsible for general policy and method development, as well as providing advice and support to other divisions and the field. The responsibility for actually integrating environmental matters in Sida activities is decentralised to the programme officers. Heads of departments must also ensure that sufficient competence exists within their respective departments. All new Sida staff are trained in environmental issues and on-the-job training is occasionally carried out for incumbents, including those posted in the field. The Department for Evaluations and Internal Audit systematically assesses the extent to which the environmental guidelines have been observed.

65. The current thinking stresses the importance of local ownership and responsibility to work towards environmentally sustainable development. Therefore, Sweden tries to help the recipient countries develop their capacity to analyse and manage their own environmental problems. Thus, it will use the existing environmental norms and guidelines of the partner country to the greatest extent. Based on the principle of enhancing ownership, it tries to place the responsibility of EIAs on the partner country, with Sida mostly carrying out the assessment of the EIAs. Sweden is, however, self-critical in this area and admits that it can do more to help partner countries formulate a sustainable development strategy, in accordance with one of the IDGs. It also faces a challenge in incorporating proactive environmental considerations into different sector strategies and project portfolios of the partner countries.

### **3.5. Research co-operation**

66. Upon the merger, the former Swedish Agency for Research Co-operation with Developing Countries (SAREC) became Sida's Department for Research Co-operation, although it still retains the former acronym. Eight new posts were created in 1999, and the Department currently has a staff of 40, of which 26 have PhDs. The Department's 1999 budget was about SEK 506 million (USD 61 million), or 7% of Sida's budget, which has continuously been augmented and is expected to reach SEK 700 million (USD 85 million) in 2001. The Department oversees more than 500 projects in international, regional and bilateral co-operations. These include organisations such as the WHO, Consultative Group for International Agriculture Research, and African Economic Research Consortium. In accordance with the Guidelines for Research Co-operation adopted in 1998, bilateral research co-operation with poor developing countries has increased, and now involves Eritrea, Ethiopia, Bolivia, Mozambique, Sri Lanka, Tanzania, Viet Nam, Nicaragua and Zimbabwe. The range of co-operation is vast: natural resources in arid regions, solar and renewable energy, chemistry, physics, pumping water, reproductive health, biotechnology, biological diversity, HIV/AIDS, democracy and human rights, and so on. In 1998, Sida supported 50 institutions in developing countries and 90 Swedish university faculties for bilateral research.

67. Sweden has also started to support ICT projects. Believing that poor countries should share the benefits of ICT, it has commissioned a study in 1999 on ICT in development co-operation. The study subsequently served as a background for the formulation of Sida's strategy in this area. *Swedish Support to ICT Projects in Developing Countries – ongoing and planned activities* shows that Sida has launched a programme for the provision of internet connectivity to all its supported research institutions and universities in Sri Lanka, Tanzania, Mozambique and Zimbabwe. Preparatory activities are underway in Viet Nam, Nicaragua, Ethiopia and Uganda. This programme includes training of staff, engineers and technicians in ICT.

68. Aside from assisting developing countries to develop research capacity and produce new relevant knowledge, one of the main objectives for the research activities is to promote research co-operation through experienced Swedish institutions and universities. Sida indicates that research is important in the fight against poverty and that it should be a priority and integral part of development assistance. It states that its research activities are concerned with ownership, capacity building, cultivation of knowledge,

long-term commitment and not least, poverty reduction. For example, research on renewable energy could find ways for a poor country to save resources. The 10-12 years of joint research on flora and fauna of the East African coast has resulted in a book that has mapped coastal resources and factors responsible for their degradation. Sida mentions that Ministers in the region have met to discuss such findings and have agreed to take joint action. Sida also states that it assisted a Mozambican scientist to earn a PhD in nuclear physics as “capacity in nuclear physics is essential in pre-prospecting for minerals in general. In country capacity for understanding such analyses is important when negotiating with foreign mining companies”.

69. MFA authorities agree that there is still room to better integrate the research component in the overall aid system. While the topics in international co-operation such as globalisation and global public goods may be timely, some of the bilateral research activities may need more justification. For example, research on access to health centres in Mozambique showed that the lack of rural roads was the main obstacle to access. Sida maintains that such skills are important for the country’s chances of making strategic choices in their planning. However, unless these findings are actually followed-up by the country with concrete plans and activities to address the specific problems in poverty - in this case, building rural roads - the research becomes merely an academic exercise. Furthermore, as research co-operation diverts limited human and financial resources of partner countries that could otherwise be invested elsewhere, particularly for direct poverty reduction measures, activities must fall within the partner country’s national and sectoral priorities. In other words, bilateral research co-operation needs to be integrated more into country programming as part of a cohesive strategy to tackle poverty. Other challenges for Sweden include, first, to show whether it concentrates its research activities in areas where it actually has a comparative advantage, and second, to reconcile this type of assistance with Sweden’s promotion in the international arena of untied and cost effective aid.

### **3.6. Humanitarian assistance and conflict prevention**

70. Although Sweden’s geopolitical security concerns related to developing countries may not be as imminent as those of some other DAC Members, public opinion towards emergency assistance is nevertheless strong and cannot be deferred. In the multilateral field, Sweden maintains its traditional position of non-political neutrality, and has stepped up its effort in this area after entering the UN Security Council (1997-98). Sweden funds humanitarian programmes of international organisations such as, *inter alia*, the UNHCR, WFP, UNICEF, and EC, as well as international NGOs such as the International Committee of the Red Cross, which it granted SEK 212 million (USD 26 million) in 1999.

71. For bilateral aid, Table 1 shows that humanitarian assistance and conflict prevention has steadily increased between 1997 and 1999 and reached USD 186 million, or 20% of Sida’s budget in 1999. DAC data (which includes in-country refugees) also shows that Sweden’s disbursement towards emergency/distress relief totalled USD 271 million, or 24% of its bilateral ODA for 1999, and 20% in 1997-98, while DAC average was 6%. It is therefore evident that Sweden’s large contribution to humanitarian assistance has become a major feature of its bilateral programme. The operational areas include the following: emergency humanitarian assistance; disaster relief; early reconstruction in connection with armed conflicts and natural disasters; and conflict prevention. The major proportion of assistance involves post-conflict reconstruction which includes provision of food, water, sanitation, health care service and housing in Rwanda, Liberia, Sudan, the Democratic Republic of Congo, Angola, Somalia, Cambodia, Afghanistan, Iraq, Georgia, Bosnia-Herzegovina, Croatia, and the Balkan states. However, in 1999, major support was also provided to countries in Central America affected by Hurricane Mitch.

72. Bilateral funds are channelled mostly to Swedish public authorities, universities and NGOs such as the Swedish Red Cross, Church of Sweden Aid and PMU Interlife. Sida has prepared new guidelines for the application procedures by NGOs, which includes, *inter alia*, a description of the disaster, problem

analysis, goal analysis, target groups, risks and strategies. Aside from national and local NGOs, Sida funds other NGOs, such as Norwegian Aid and Oxfam. Save the Children UK has also been contracted to examine military expenditures of several countries using World Bank data.

73. Sweden is facing several dilemmas in this area, such as the implications and usage of the military expenditure analyses. In Sri Lanka, the share of the defence budget is extremely high, but since many households have some family member working in the military, a massive re-employment scheme must be proposed in order to promote demilitarisation. Another dilemma that Sweden is facing is how to give support to the general public without indirectly subsidising the military, *e.g.* transportation and roads in Ethiopia may benefit the army. Furthermore, although Sida has a strategy on conflict management, it admits that the strategic approach needs to be emphasised. It sees an enhanced need to examine the causes of conflict and not only the consequences in order to find the opportunity for prevention. Sweden is trying to mainstream conflict prevention and conflict management, but recognises the necessity to have a presence in the partner country, obtain knowledge of the situation and identify local initiatives. The difficulty and dilemma is that Sweden does not necessarily have embassies in countries that require these types of activities. On the other hand, Sweden professes that it pursues a humbler approach than some of the larger donors and considers that, in the long-run, the promotion of democracy and human rights is one of the most effective ways for conflict prevention.

74. For many DAC Members, tension and tradeoffs exist between the choice of financing humanitarian and emergency assistance instead of long-term development co-operation. Sweden's partial response is the concept of "developmental humanitarian assistance," which is emphasised in *Swedish Humanitarian Assistance – Annual Report 1998/99*. The concept endeavours to focus on the long-term effects of humanitarian assistance in order to reach a higher degree of sustainability and effectiveness. To implement this concept, the MFA's regional departments make longitudinal analyses of conflicts in order to grasp the latent antagonisms of different parties, which can flare into open conflicts. Sida's Division for Humanitarian Assistance also builds in a long-term perspective in humanitarian intervention. According to Sweden, assistance used to meet the devastating consequences of Hurricane Mitch succeeded in incorporating long-term developmental measures based on explicit directives, active co-ordination and organisational flexibility. Nonetheless, there still remains the issue of country selection, and Sweden needs to ensure that long-term development co-operation and poverty reduction in Sweden's programme countries do not lose out in the increasing trend towards supporting humanitarian aid and conflict prevention.

### **3.7. Gender equality**

75. In 1996, Sweden added gender equality as another objective for all Swedish development co-operation. Sweden takes the strong view that promoting gender equality is both a means for poverty reduction as well as a goal in itself. Sweden has conceptually moved away from a purely women in development approach to mainstreaming gender equality in all aspects of development co-operation. Nonetheless, Sweden takes a dual approach to ensure that the objective is carried out, *i.e.* mainstreaming, as well as paying special attention to women. Sida has also developed a Gender Action Programme for 1997-2001 and has a small budgetary allocation for this area. Sweden has selected five countries - India, Tanzania, Namibia, Nicaragua and Estonia - with special focus on gender equality and is also evaluating mainstreaming in Nicaragua, Bangladesh and South Africa. The report is expected to be issued in 2001.

76. The manual on *Gender Equality between Women and Men in Development Co-operation* by the MFA emphasises what Sweden can do to empower women in the decision-making and democratic processes, both in general and in relation to Swedish aid. It stipulates that Sweden must promote gender equality and ask for sex disaggregated statistics in the multilateral forums such as the UN, the development

banks, the DAC and the EC. The efforts related to gender by Sweden in the international community are globally recognised and are highly valuable. The manual also states that country strategies should contain basic facts on, *inter alia*, women's and men's legal and economic conditions, analysis of the benefits from gender equality in development co-operation, partner country's commitment and gender aspects in policy dialogue. On policy dialogue, however, the manual is not clear as to what extent Sweden should push gender equality when partner countries give incompatible responses, for example, when Sri Lanka does not accept special attention to girls in education programmes. As a medium to specifically target women, Sweden particularly encourages co-operation with civil society, selected NGOs and universities. Activities in Viet Nam and Tanzania are described in Chapter 6.

77. Mainstreaming primarily consists of incorporating gender concerns in analytical processes, planning, and implementation in all sectors. In 1999, approximately 10% of all Sida disbursements were allocated to projects with a direct gender equality focus. Specifically, in Bangladesh, India, South Africa and Tanzania, 75 to 95% of the disbursements were made to projects that had gender equality as a main purpose or a sub-purpose. Sweden carries out stakeholder analysis using the logical framework to link gender issues with poverty and to identify different target groups, such as girls in schools, young women and men with HIV/AIDS, women subject to violence, women and men in conflict situations and so on. There are gender experts who assist staff to fulfil the mainstreaming objective and suggest necessary adjustments. Sida points out that gender equality training is carried out for all development co-operation personnel, including consultants, although these training courses may not be a recurrent phenomenon.

78. Sida admits that there are challenges in mainstreaming gender equality, particularly in the following areas: full incorporation in country strategies; integration in major political declarations and policy dialogue on development co-operation; allocation of sufficient budget; development of quantitative and qualitative indicators for analytical use; collection of data to develop statistics on gender roles; enhanced training for all staff; and establishment of effective accountability systems, including monitoring and evaluation. Furthermore, Sida is concerned that staff are being overloaded and are undergoing "mainstreaming fatigue," as they are responsible for multiple and complex cross-cutting areas including poverty, environment and democracy and human rights (see Chapter 5).

## CHAPTER 4

### OTHER POLICIES AND INSTRUMENTS

#### 4.1. Policy coherence

79. The 1995 re-organisation was intended to integrate the hitherto compartmentalised Swedish administration on aid, security, trade, environment, agriculture, refugees, migration and others. From an institutional standpoint, the reorganisation has improved the internal cohesion of the aid system; however, for policy coherence in key areas regarding developing countries, Sweden admits that it has yet to determine effective mechanisms for enhancing policy analysis and internal processes, as well as making decisions more transparent. In addition, Sweden sees that there is still a lack of capacity in integrating EU trade policy within development co-operation of the MFA and Sida, and that co-ordination on pertinent issues with the Ministry for Industry is still weak. Although regional studies have already been carried out on policy coherence by the MFA, further work is needed to build political consensus and to translate the recommendations into reality. On the other hand, the collegiate nature of Swedish society seems to make the new arrangements work better than they might in some other countries. Furthermore, there are areas that Sweden is relatively advanced in trying to ensure coherence, such as on arms exports (see Box 2).

80. As referred to in Chapter 1, a Parliamentary Commission of Inquiry into Swedish Policy for Global Development was established in December 1999. The Commission will attempt to determine how Swedish policy for sustainable development should be further developed at a time of ever-increasing global interdependence. The coherence of all Sweden's policies that could impact developing countries would consequently be of central concern. The Commission consists of representatives from all political parties, NGOs, labour/trade unions, business associations, different ministries and Sida, which will consult academics on specialised topics. The review will evolve around four main themes: poverty, democracy and human rights, the environment and gender equality, and will be cross-analysed from different policy areas such as aid instruments, migration, trade, promotion of exports, and security. It will also synthesise: agreements to enhance policy coherence; the role of development co-operation in conflict prevention and management; partnerships in both bilateral and multilateral co-operation; and Sweden's commitment to the development partnership strategy. The Commission is expected to submit a report and a comprehensive proposal for Swedish policy in October 2001.

#### 4.2. Involvement of the Swedish private sector

81. Table I.1 shows that Swedish net investments to developing countries have generally increased since 1983-84 - despite some fluctuations - and reached USD 2.5 billion in 1998. In 1994, the Project Export Secretariat (PES) was established in the MFA to enhance Swedish exports. The PES maintains that Sweden's self-interest and own economic interests could be reflected more in development co-operation, which would benefit both the recipient country and Sweden. It hopes to pursue this through the shift in the climate of foreign policy reflected in the following directions: a) from development assistance to economic co-operation (to have more equal relationships and partnerships with developing countries); b) from aid flows to mobilisation of private capital (to increase private flows bilaterally and through IFIs); c) from a

compartmentalised to an integrated foreign policy (to integrate trade, aid, security, migration issues, etc., and to be more geographically based); and d) enhanced involvement of Swedish industry and services (to reflect Swedish self-interest by supporting Swedish industry in specific areas of co-operation).

### Box 2. Policy coherence: the case of Sweden's arms exports

Sweden has been an important arms producer and exporter since the 1950's, and is still one of the top ten. However, Swedish arms exports have considerably decreased over the past 15 years, both in terms of volume and percentage of total national exports. In 1988, exports of military equipment amounted to USD 1 billion, or 2% of total exports, but dropped to USD 425 million or 0.5% in 1999. In the mid 1980's, a scandal in which a Swedish firm allegedly bribed Indian officials on arms exports triggered extensive public debate and reinforced the need for increased transparency and accountability. Since 1985, the Swedish Government has been presenting an annual report on arms sales to Parliament, which is also available to the public.

Top recipient countries are mainly in Western Europe and North America. In terms of percentage of total arms exports in 1999, 18% went to ODA-eligible countries, though mostly concentrated on Brazil and Venezuela. The breakdown was 0.3% to other low-income countries, 8% to lower/middle-income countries and 10% to upper/middle-income countries. In 1999, for the first time in 20 years, no exports have occurred to the least developed countries (LLDCs). Arms exports to India and Pakistan - countries that recently conducted nuclear testing - were USD 605 000 and USD 617 000 in 1999 respectively, which accounted for less than 0.2% of Sweden's total arms exports.

Swedish arms exports are governed by the 1992 Law on Exports of Military Equipment. This requires that any export of military equipment would need a special permit to be issued on a case-by-case basis by the National Inspectorate of Strategic Products (ISP). The guidelines state that a permit can be granted if arms exports do not contravene the principles and objectives of Swedish foreign policy. No formal poverty criterion is stipulated in these guidelines. Interpretation is done *ex ante* in consultation with an advisory body, the Export Control Council, consisting of parliamentarians from all parties, which has the authority to stop military export permits. The Chair of the Council is the Director of the ISP. Considering the make-up of the Council and Sweden's strong parliamentary base, the government has always followed its recommendations on the rejection of applications.

The institutional process to ensure coherence of arms exports with Sweden's foreign policy consists of three actors that represent different interests presenting each case before the Council. The ISP presents the export situation and relevant interpretations of the guidelines; the Ministry of Defence assesses the long-term supply of military equipment to Sweden's own armed forces, which is dependent on the sustainability of its arms industry; and the MFA produces a country analysis. If the potential export destination is a developing country, the country analysis includes relevant facts concerning levels of development and the Swedish aid programme. It is, however, unclear as to whether the analysis includes issues such as the recipient country's resource allocation to BSS, defence spending, debt servicing, and others, or how these exports are coherent with Sweden's stated foreign policy on promoting disarmament.<sup>7</sup> The aforementioned Parliamentary Commission could consider a recommendation to stipulate a formal poverty criterion in arms exports to developing countries.

82. The Swedish private sector points out that Sweden and the poor countries need economic relations with trade existing in both directions. It argues that this is the most important and sustainable relationship between Sweden and the developing countries - ties that extend beyond one or two contracts. However, to have active trade relations, the poorer countries must create an enabling environment for PSD and build appropriate infrastructures. Especially in the neighbouring CEECs, new laws such as in banking, financing and other areas related to investment must be established. The private sector thus states that Swedish co-operation should first assist in establishing an environment conducive to trade. It also wants

7. Statement of Government Policy in the Parliamentary Debate on Foreign Affairs, Wednesday, 9 February 2000.

Sida to support them with funding and guarantees, as these countries are risky and unpredictable. To these, the private sector says it wants at least some portion of Sida funds to be in the form of tied aid.

83. The private sector also states that it has become easier to obtain Sida contracts and to work with the agency. Recently, the private sector is not only aspiring to get a bigger piece of the pie from Sweden's bilateral funds, but is increasingly lobbying to participate in technical assistance as well. Sida is currently formulating a private sector development strategy in development co-operation and has been involving the private sector in seeking new models of interaction. Sida also discusses with, for example, automobile manufacturing companies on how they can participate in some programmes. In addition, the private sector is participating in the formulation of country strategies for CEECs, and hopes to be involved in those for other countries. Moreover, it wants a special section on industrial/trade/business development in country programmes as well as an enhancement in Sida's expertise in this area.

84. A major concern with the PES and the private sector is the low rate of procurement by Sweden in IFIs, EC and the UN, compared to Sweden's financial and policy support to these institutions. Sweden contributes 3% to the EC, but only wins 0.5% of procurement contracts. Even Finland, which acceded around the same time, has been more successful in winning contracts. Particularly with regional banks such as the AfDB and ADB, the PES and private sector want to increase their share. As tied Swedish trust funds and large infrastructure projects are becoming less significant in IFIs, the Swedish private sector is increasingly finding difficulties in participating in the activities of these institutions, and hence, turning to Sida for more support.

#### **4.3. Swedfund International**

85. Swedfund International is a risk capital public company owned by the Swedish government whose overall mission is to provide capital and know-how for investments in developing countries and CEECs. Its core business is to invest in joint ventures in partnership with Swedish companies. Swedfund was established in 1979 and is still 100% government-owned. Swedfund offers risk capital in the form of equity or loans and provides expertise on how to invest profitably in these countries. In addition, it invests in local and regional venture capital funds in co-operation with IFIs.

86. In 1999, Swedfund made 11 investments totalling USD 23 million. Current book value is USD 36 million, which is disbursed to 64 projects across 33 countries. The operational level, with a staff of 20, is relatively small compared to similar institutions in Denmark and Finland. Forty-nine percent of investment is directed to Africa, 27% for CEECs, 18% in Latin America and 6% in Asia. There are geographical requirements by the Swedish government, such as focusing on poor countries with a per capita GNP of under USD 3 000 (with a few exceptions), the CEECs and the Baltic region. A 30% limit of the total amount of investment is maintained, as Swedfund avoids becoming the single largest financier.

87. Guidelines developed by the IFIs, particularly of the International Financial Co-operation, are adopted in EIAs, risk analysis and others; however, Swedfund admits that it is difficult to monitor how well, for example, labour and environmental standards are actually adhered to. Gender equality issues are questioned by the board members consisting of the MFA, Sida, the labour union and the private sector, but the investments are not required to fulfil gender based quotas or other conditions. Negative list of projects includes breweries, tobacco and arms except civil explosives. Of the applications, around 25% are approved, 10% are implemented and 5% become profitable. Foreign direct investments generally have 30% losses, and a cumulative of USD 36 million has been written-off. Sweden could consider the question of Swedfund having access to private capital, given the stated intention of the private sector to play a more prominent role.

#### **4.4. Export Credits Guarantee Board and mixed credits**

88. EKN administers development aid guarantees for Sida. These guarantees are issued in conjunction with concessional export credits granted to certain developing countries on terms made favourable with the use of development aid funds. EKN comments on individual guarantee cases, primarily on risk of loss, but the chief responsibility for such guarantees lies with Sida's Department for Infrastructure and Economic Co-operation. If this underwriting results in a deficit, the loss is charged to aid allocations and declared as ODA. At year-end 1999, EKN's total guarantee offer and commitment exposure reached USD 16.5 billion, including India at USD 238 million, China at USD 217 million and Thailand at USD 67 million. Total new guarantee commitments assigned for 1999 reached USD 2.7 billion. However, new development aid guarantees substantially declined from USD 86 million in 1997 to USD 19 million in 1999, possibly due to the Asian crisis. Table I.1 also shows that the amount of Swedish net export credits is currently low and has not recovered from its sharp fall in 1996.

89. An environmental policy for EKN's guarantee operations became effective in April 2000. The policy specifically states that EKN shall: develop guidelines for environmental requirements in export financing; observe the environmental laws of the import country; and ensure that the larger export projects complies with EIAs where the risk of negative environmental impact is significant. A comprehensive environmental review on EKN is scheduled for 2001.

90. EKN proposed this year that an EIA would be demanded systematically for projects that cost SEK 100 million (USD 12 million) or more and for guarantees lasting more than five years. The EIA would be mainly limited to the Swedish component. However, the proposed guidelines have been strongly criticised by the Swedish Society for Nature Conservation and other NGOs for being lenient and vague and for providing various loopholes. Some of the NGO criticisms and recommendations include: EKN should not issue any guarantee until an EIA has been carried out and considered by the board; there is lack of transparency and very little access to information, particularly during the decision-making process; and there are no concrete criteria for environmental standards. The fact that in recent years EKN has been involved in some controversial operations (e.g. Three Gorges Dam in China and Ilisu Dam in Turkey) implies that the effective implementation of the environmental policy for EKN could be challenging.

#### **4.5. Untying and procurement**

91. According to DAC data, Sweden's gross disbursements on tied aid have been increasing from USD 106 million in 1996 to USD 164 million in 1997 and USD 151 million in 1998. These figures do not include research co-operation or NGO support, which are largely earmarked for Swedish entities, or technical assistance contracts whose bidding procedures are not always of international competition. Furthermore, Sweden's procurement guidelines on goods stipulate that Open Competitive Bidding be carried out for contracts of USD 250 000 or more, which does not mandate advertising in the international media as required under International Competitive Bidding. Therefore, it is not clear as to what extent Swedish aid programme as a whole is *de facto* untied. Sweden is encouraged to further the discussion in this area, and in particular, obtain a broad consensus from the public, including the private sector, NGOs, consulting firms and research institutions on the pros and cons of untying aid to developing countries.

#### **4.6. Debt relief**

92. Sweden's long term and active involvement in debt relief is described in the last Aid Review. In particular, as early as 1978, Sweden wrote-off most ODA loans to LLDCs worth SEK 1.2 billion (USD 178 million). Furthermore, during the period 1986-99, almost SEK 5 billion was disbursed in the form of debt relief and support for economic reforms in poor countries. *Sweden's Debt*

*Policy for the Poorest Countries* states that *inter alia* Sweden will also give rapid and generous contributions to countries in difficult crisis situations and that it attaches great importance to countries that are pursuing sound economic policies. As for the way forward, Sweden advocates that ODA loans to HIPC countries should be entirely written off and that the link between debt relief and reduction must be strengthened. Sweden is also prepared to consider giving extra support to, *inter alia*, economic reform process through balance of payment or budget support and the re-purchase of commercial debts. The policy states that Sweden's ambition is to develop partnership with countries that pursue poverty reduction and democracy, as well as commit to international trade liberalisation.

93. Sweden continues to play an active role in the Paris Club's debt relief negotiations and other multilateral forums. The following are some measures taken since the last Peer Review: a) HIPC Initiative: Sweden's first contribution to the HIPC Trust Fund was USD 28 million, plus another USD 20 million that was pledged through the EU and USD 35 million in the framework of the Nordic Group, bringing the total to USD 83 million; b) ODA debt cancellation: in 1998, Sweden's debt relief amounting to USD 8 million was granted to Ethiopia, Madagascar and Mozambique; c) IDA debt reduction facility:<sup>8</sup> Sweden provided USD 19 million to help buy back up to ten times the amount of World Bank debt by Mozambique, Zambia, Nicaragua and Bolivia; and d) SEK 1 billion (USD 116 million) for economic reforms and debt relief in nine poor countries.

94. On the other hand, although Sweden has been supportive of ODA debt relief, it is an important creditor of developing countries through its export credit activities, as referred to the above. At the end of 1999, the total amount outstanding by Part I borrowers was USD 6.9 billion, of which USD 2.8 billion was owed by low income countries.<sup>9</sup> It must also be noted that this total amount of outstanding debt by Part I borrowers is actually equivalent to more than four times Sweden's net annual ODA flows.

#### **4.7. In-country refugee assistance**

95. Migration, asylum and refugee issues have been integrated into the MFA since the new reorganisation and are now administered by the MFA's Unit for Migration together with the Swedish Immigration Board. Every year, the government and Parliament shape the refugee/asylum policy and issue guidelines on quota. In 1999, Sweden spent USD 86 million or 8% of its bilateral ODA on in-country refugees and asylum seekers - a decrease from a level of USD 114 million in 1996. The estimated breakdown was 12 000 asylum-seekers and 1 800 quota refugees. Arrivals peaked in 1992 culminating in 84 000 asylum-seekers, mostly from the former Yugoslavia. In 1997, 9 623 people applied for asylum, mostly from Iraq, the former-Yugoslavia, Bosnia-Herzegovina and Somalia.

96. Overall, Swedish refugee/asylum policy is rather generous and is based on humane values and solidarity. The Swedish Aliens Act, amended in January 1997, sets out the categories of people who are entitled to protection in Sweden. Swedish refugee and asylum policy is comprehensive and also prescribes Sweden's efforts in the international forums to contribute to the prevention of international conflicts. It also states that Sweden is to accept refugees other than those stipulated by the 1951 UN Convention. Furthermore, support will also be given to refugees who wish to leave Sweden on their own accord and

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8. This fund capitalised with USD 300 million from World Bank net income between 1989 and 1996, facilitates the buyback of low income countries' commercial debt by providing a maximum USD 10 million grant when combined with additional donor grant cofinance.

9. Countries include: China, India, Pakistan, Zimbabwe, Democratic Republic of Congo, Ghana, Tanzania, Laos, Viet Nam, Angola, Cameroon, Mozambique, Lesotho, Togo, Uganda, Yemen, Senegal, Cape Verde, Myanmar, Bosnia-Herzegovina, Niger and Malawi.

return to their home country. Government-financed municipality reception and resettlement programmes facilitate the refugees' integration into Swedish society.

97. The former Minister of Development Co-operation and Migration stated that there was a rise in xenophobic influences as in all situations when there was an increased level of domestic unemployment. Sweden could therefore analyse more the effects of in-country refugees on public opinion regarding relationships with developing countries. Furthermore, Sweden could also examine the coherence of its asylum policies with its policies in promoting democracy and human rights in developing countries.

#### **4.8. Public opinion and information**

98. Sweden has been carrying out annual opinion surveys on development co-operation since 1975. From these, it is clear that public support to development assistance remains very high. In 1999, a survey commissioned by Sida indicated that 83% considered it important for Sweden to contribute to development in developing countries and that 77% supported ODA. In fact, almost half those surveyed had given money to NGOs themselves in 1998. Education level, gender and age are closely correlated to support, with people of higher education, women and younger people inclined to be more positive towards development co-operation. Responses show that NGOs are considered most efficient in ODA delivery, followed by the UN, Sida and then the EC. Debt relief and disaster relief also have a solid backing.

99. There are, however, some signs of weakening in long-term support - public opinion shows donor fatigue and a lower expectation of ODA as a catalyst in achieving poverty reduction. In particular, the rate of those who advocate decreasing or abolishing ODA may be increasing. According to Sida's Information Department, "65% of Swedes are convinced that no main development has occurred in the developing countries since the 1960s."<sup>10</sup> Sweden's strong focus on Africa, which is a continent with little results, may be contributing to this pessimistic view. Swedish authorities speculate that there is some correlation between opinion and the ODA budget, namely, that budget cuts coincides with lower support.

100. Opinion polls show that the image of Sida improved after its reorganisation. Especially since 1998, Sida has been making efforts to reach the general public, for example, by establishing a special forum called the Development, Education and Communication Academy for Human Resource Development and Experience-sharing. In 1999, Sida's budget to carry out public information activities was USD 19 million, or 2% its total budget (see Table 1). Of this amount, about one-third is utilised by Sida and two-thirds are used for funding NGOs. In Sweden, aside from the operational ones, there are numerous NGOs that carry out public education programmes designed and implemented by themselves. Sida has developed new guidelines for NGOs to carry out these information activities and holds regular meetings. Each year, a theme is chosen, for example "the environment" starts in August 2000, followed by "poverty" in the following year.

101. Sida is not complacent and sees that there is still ample room for the Swedes to become interested and learn about development co-operation. For this, they acknowledge that some rethinking must be done and a new information strategy needs to be developed. Sida agrees that issues of substance such as goal orientation, SWAps, untied aid and aid dependency are also not yet addressed. In particular, untying national involvement for the benefit of partner country ownership and cost-effectiveness is a dilemma for all DAC Members. Sweden's public opinion surveys could henceforth include questions regarding untying aid. It is necessary for the Swedish aid programme to be backed by a wide public consensus regarding these real and difficult issues that are currently being discussed and explored with partner countries and in the international forums. Participation, transparency and accountability also need to be ensured at home.

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10. *Development Today*, Vol. 9, Nos. 16-17, 8 October 1999. p. 12.

## CHAPTER 5

### ORGANISATION, STAFFING AND MANAGEMENT SYSTEMS

#### 5.1. Overall organisational structure

102. Sweden's MFA is led at the political level by three ministers and four state secretaries who share the range of foreign affairs responsibilities. In addition to the Minister for Foreign Affairs, aid to developing countries is handled by the Minister for Development Co-operation, Migration and Asylum Policy, who is assisted by a state secretary. Responsibility for aid to CEECs was recently transferred from the latter Minister to the Minister for Trade and Nordic Co-operation, who is also assisted by a state secretary.

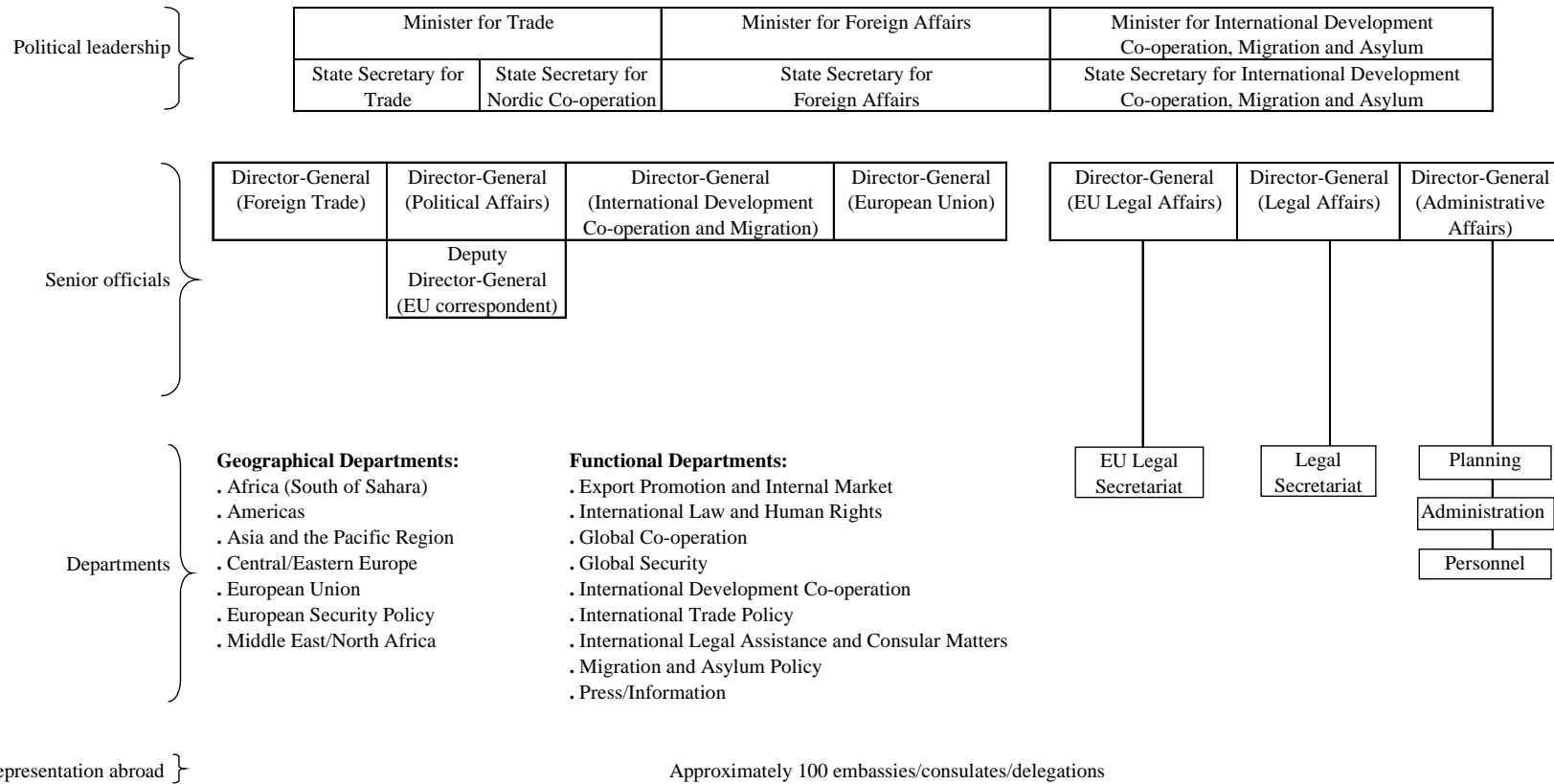
103. In development co-operation, general aid policy is defined by the MFA, while the bilateral programme and some multilateral assistance is implemented by Sida, an executing agency with a high degree of autonomy. Nevertheless, the ministry and Sida work closely together on many issues, such as the preparation of country strategies, setting of sector policies, humanitarian assistance and the formulation of positions in multilateral forums. Responsibility for issues is also sometimes moved from one organisation to the other. For example, the ministry was previously responsible for all core contributions to UN agencies, while Sida took charge of multi-/bilateral assistance. However, Sida is currently in the process of taking over responsibility for some UN agencies, with the ministry setting broad policy on Sweden's participation. Mobility of staff between the ministry and Sida is another manifestation of their close and collaborative working relationship.

104. As described in Chapter 4, several smaller agencies are involved with Sweden's development co-operation efforts: the Swedish Immigration Board assists refugees in Sweden; Swedfund International invests in joint-venture companies in developing countries and in CEECs; EKN administers development aid guarantees with Sida; the Swedish Institute provides scholarships; and the Nordic Africa Institute sponsors research.

#### *Ministry for Foreign Affairs*

105. The MFA underwent a major reorganisation in 1996, following Sweden's accession to the EU. Today, the ministry includes both geographic and functional units (see Chart 1). Seven integrated geographic departments with country/regional desks take responsibility for Sweden's bilateral relations in the areas of foreign policy, trade, development co-operation and migration, thus having a central role in the promotion of coherence in Sweden's external policies. Nine functional departments back up these departments. Among these, the Department for International Development Co-operation is responsible for bilateral assistance and development-related activities of the EU and IFIs; the Department for Global Co-operation is responsible for humanitarian, environmental and gender issues, as well as relations with the specialised UN economic and social agencies; and the Department for International Law and Human Rights is responsible for democracy and human rights issues. The geographic and functional departments report to four director-generals, responsible for trade, political affairs, international development co-operation, migration and EU affairs.

Chart 1. Ministry for Foreign Affairs, Sweden



Source: Sida.

106. The new structure was designed to enable Sweden to respond more effectively to the wider range of issues that the MFA would address, following the accession to the EU. An additional aim was to reduce the compartmentalisation of issues that characterised the previous organisational structure. By all accounts, these objectives have mostly been achieved. Nonetheless, concerns remain regarding the country/regional desks: these desks potentially report to and take instructions from a total of 11 ministers, state secretaries and director-generals, which constitutes an unwieldy degree of administration; staff on these desks need to master a wide range of complex issues during the limited period they are on rotation there; there is an artificial divide between non-CEECs and CEECs which include poor countries; and, in the case of development co-operation, the contribution that these desks are able to make is not clear in a structure where expertise already exists within other parts of the ministry, Sida, and increasingly, embassies in developing countries.

### *Swedish International Development Co-operation Agency (Sida)*

107. To increase the focus and adaptability of Sweden's development co-operation programme, Parliament decided to form Sida in 1995 by merging five executing agencies for Sweden's aid. Today Sida has a matrix structure with four regional (Africa, Asia, Latin America, and CEECs) and five sector departments (Democracy and Social Development, Infrastructure and Economic Co-operation, Natural Resources and the Environment, Research Co-operation, and Co-operation with NGOs and Humanitarian Assistance) (see Chart 2). The regional departments take responsibility for programmes within their geographic area and prepare country strategies or delegate this responsibility to Swedish Embassies in select pilot countries (see Swedish Representation in Partner Countries). The sector departments analyse and assess project proposals and provide expert support. All these departments report to the Director-General of Sida.

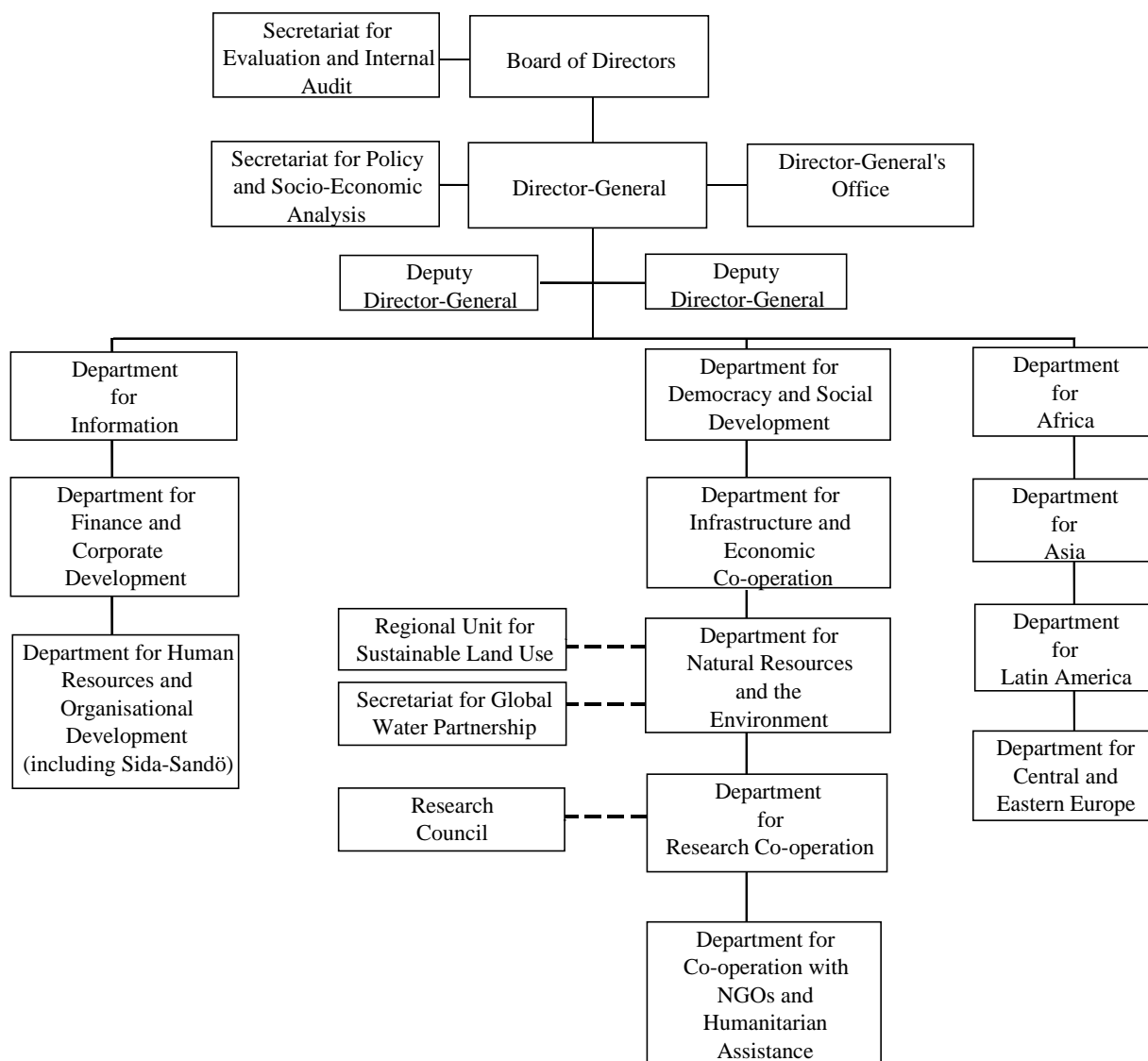
108. As explained in the last Peer Review, the executing agencies merged to form Sida were:

- Swedish International Development Authority (SIDA), which focused on the implementation of aid activities in programme countries, disaster relief, humanitarian assistance and the co-financing of Swedish NGOs.
- Swedish Board for Investment and Technical and Support (BITS), which focussed on aid activities outside of programme countries, including in CEECs, as well as the strengthening of economic and commercial links through the involvement of Swedish institutions and enterprises.
- Swedish Agency for Research Co-operation in Developing Countries (SAREC), which focussed on research co-operation.
- Swedish International Enterprise Development Corporation (SwedeCorp), which was responsible for assistance to enterprise development. SwedeCorp itself had been formed in 1991 from the merger of three former entities.
- Swedish Centre for Education in International Development (Sandö), which conducted training related to international co-operation, mostly for development workers.

109. These former entities have been affected differently by the merger. SAREC still exists as a department within Sida with the same name and could still better integrate the research activities and its staff into the rest of the agency, as touched upon in Chapter 3. Sida's Department for Infrastructure and Economic Co-operation, which comprises the former BITS, SwedeCorp and the Infrastructure Unit from SIDA, has been the most affected by the merger. Considerable efforts have been made in this Department to integrate personnel and cultures from the former entities, such as by staff rotations. Nonetheless, the distinct characteristics of the former entities still exist and are regarded as such throughout Sida: i.e.,

financing from BITS, sectoral work in programme countries from SIDA and sectoral work in non-programme countries from SwedCorp.

Chart 2. **Swedish International Development Agency (Sida)**



Source: Sida.

110. Efforts are consequently still needed to see the merger through to fruition. The adoption of consolidated regional budget lines in lieu of individual budgets will help establish Sida as a single agency with a variety of aid mechanisms at its disposal. The substantial staff recruitment expected in future years to replace retiring staff members would also contribute to the complete merger, as new staff will not perceive the association of instruments with former entities. Finally, the linkages and synergies between Sida's ODA activities and aid to CEECs could still be more fully developed.

*Swedish representation in partner countries*

111. Since 1995, Sida's field representation has been merged with the local Swedish embassy. These "integrated embassies" have now been established in all the main recipient countries of Swedish aid. Sida currently has field representation in 34 countries, which should rise to 39 by 2003. In 1998, a pilot project was launched to increase delegated responsibility to the integrated embassies in Nicaragua, Tanzania and Viet Nam. This enables the embassies to approve up to SEK 50 million (USD 6 million) per project. These embassies also have the authority to take strategic decisions on country programming, in consultation with headquarters. Project preparation is initiated in-country while Sida headquarters provides consultants and performs evaluations upon request.

112. These decentralisation pilots are mostly viewed as successes. The Viet Nameese government appreciates the convenience of decentralisation as decisions can be taken and problems resolved locally and expeditiously, which enhances partnership. Local staff at the embassy have also been able to take on major project management responsibilities. In Tanzania, the presence of social sector specialists in the embassy coupled with increased local authority is seen as enhancing the efficiency of programme implementation. Nonetheless, while micro-management from headquarters has been substantially reduced, embassies are still required to satisfy capital-led policies, which can be a source of potential tension.

113. It is not yet clear how far Sweden intends to push for decentralisation. Estimates suggest that Sweden's decentralised embassies could, on average, cost three times more than other embassies. The costs involved and staffing implications could ultimately limit the replicability of these pilots unless there will be more reliance on local staff and use of ODA budget to finance such costs. Sweden will assess the decentralised embassies in due course, whose results will be of interest to many DAC Members.

114. In another trial exercise, Sida and the Norwegian Agency for Development Co-operation (NORAD) may represent each other in countries where they are not already present. Initially, NORAD will represent Sida in Malawi where Sweden intends to step up its activities. Taking advantage of similar aid policies, values, cultures and languages between Sweden and Norway to pool resources and harmonise procedures could lower transaction costs and benefit both recipient countries as well as other donors.

**5.2. Staffing**

115. Within the MFA in Stockholm, the number of people working predominantly on development co-operation issues remains comparatively modest - some 30 professionals in each of the Departments for International Development Co-operation and for Global Co-operation, as well as the staff in the geographic departments, whose responsibilities include development co-operation. The ministry finds that it currently lacks sufficient capacity to deal with aid and trade issues and so is giving priority to recruiting staff with this background. Given the greater role of Sweden's ambassadors in development co-operation matters in integrated embassies, these staff are expected to have appropriate experience and expertise. Sida is now consulted about such appointments.

116. Sida's permanent staff totalled 602 at the end of 1999, 119 of whom were stationed in the field. Many current Sida staff will retire over the next decade - 39% of staff were aged between 51 and 60 years at the end of 1999 and, on current projections, 72 people will retire between 2000 and 2005, with a further 222 people between 2006 and 2011. To respond to this dramatic loss of skilled personnel, Sida has been focussing on recruiting younger people and endeavouring to create a working environment, which will encourage staff to remain with the Agency. In particular, Sida is aiming at motivating its experienced staff

in actively sharing their expertise with younger staff. Sida has also been seeking to recruit staff with knowledge and experience in programme aid, in order to strengthen its capacities in this area.

117. Sida considers its staff to be its greatest asset and so maintaining and improving the high level of professionalism is a central concern for its own development as an organisation. Sida consequently devotes substantial resources to developing staff and fostering a process of continuous learning within the agency. Sida's 1999 *Human Resources Report* dedicates considerable space to detail Sida's learning and staff development activities. It estimates that Sida spent at least 5 779 working days on training in 1999, 4.4% of total working hours. Sida has identified five types of skills it considers necessary to create a learning environment - strategic, professional, learning, relation and functional. These are summarised in a "skills star." While the *Human Resources Report* concludes that Sida departments are highly aware that learning for achieving good results in operations is important, it regrets that the learning programmes undertaken by departments focus mainly on professional skills.

118. The roles and responsibilities of Sida's managers and staff have also been extensively analysed and documented. *Sida's Management Policy* defines the main task of managers as creating the conditions necessary for staff to develop, implement and follow-up on operations. The manager is seen as having six roles: explorer, communicator, coach, agent of change, creator of learning opportunities and decision-maker. These are summarised in a "management flower." The policy also describes the quality assurance process for ensuring that managers fulfil their ascribed role. *Being a Member of Staff at Sida* discusses the five roles staff need to play to enable the Agency to achieve the best results: producer, member of the team, communicator, developer and bearer of values. These are summarised in a "staff flower." For both managers and staff members, the policies indicate the skills from the "skills star" needed for fulfilling each of their roles. Sida's human resource policy documents could be usefully consulted by other aid agencies and replicated where applicable.

119. The level of knowledge expected of staff within the Swedish aid system is high. Staff are expected to mainstream numerous issues in their daily work, including gender equality, environment, human rights, democracy, and good governance. Sida has calculated that implementing the poverty reduction objective requires know-how in 28 combinations of subject areas. To help raise and maintain knowledge levels, training courses are organised regularly for people from both the MFA and Sida. While the choice to mainstream important issues may be optimal from the perspective of development impact, for generalist staff, the accumulation of such approaches may be leading to "mainstreaming fatigue" and a consequential reduction in efficiency and development impact. In response, Sweden has continued to support some specific activities in pursuance of main objectives, such as gender equality, but the increasing number and complexity of issues addressed may also point to a need for greater professionalism within some parts of the Swedish aid system. This issue will become more acute as staff renewal within Sida starts to accelerate.

### **5.3. Management procedures**

#### ***Objective and target setting***

120. Although all Swedish government agencies have had a results focus since 1988, Sida has not been particularly results oriented. Sida's apprehension is based on a concern that there needs to be a clear distinction made between the agency's own performance and development within partner countries. On the other hand, impact analyses and isolating the results of individual donors can be difficult, and too simplistic an approach would also be inappropriate. Furthermore, the objectives for Sweden's development

co-operation are long-term, and while annual reports can describe activities undertaken towards achieving those objectives, results cannot necessarily be expected on a short-term basis.

121. Nevertheless, as a step towards a greater focus on results, Sida has been documenting examples of the results of its activities in its annual reports and has introduced a system for classifying activities *ex post* in terms of whether they addressed its four action programmes - environment, gender equality, democracy and human rights, and combating poverty as a main goal or a sub-goal. Since 1999, the combating poverty classification has been further developed to show those activities which have i) a direct effect on poverty reduction; ii) projects and programmes which include the poor; iii) an indirect effect on poverty reduction through policies and institutions; iv) an indirect effect on poverty reduction through providing support at the national level; v) no effect on poverty reduction; and vi) not yet classified.

122. According to this assessment, over 10% of its disbursements and 20% of its activities “have been classified as not having any effect on poverty”<sup>11</sup>. To this, Sida states that some projects may in specific circumstances be explicitly exempted from the poverty reduction objective, particularly regarding the support towards preserving bio-diversity and conserving nature. Furthermore, it mentions that its OA activities do not have a poverty reduction objective, and thus projects may be classified as having no relation to poverty reduction - which is the assessment made when registering projects, not that they will have “no effect”. In any event, Sida intends to investigate the reasons for this; but such a finding may suggest that greater attention needs to be paid during project development and implementation to ensure the ultimate objective is clearly heeded in its ODA activities. Sida could also extend its focus on results by establishing explicit links between its activities and the IDGs.

### ***Budgetary procedures***

123. Sweden’s country strategies establish an indicative multi-annual budget framework of its programmes for major partner countries. The approval of these frameworks was previously made by the Parliament but has now been delegated to the MFA. Each year, Sida receives a Letter of Appropriation, which specifies allocations for approximately 11 budget lines. Until recently, separate budgets were established for some activities, such as research co-operation and infrastructure activities, but in future these will be collapsed into the overall budgets for Africa, Asia, Latin America and Europe. On the other hand, separate budget lines will remain for NGOs, humanitarian assistance, support for economic reforms, global programmes, and information.

124. In the context of Sweden’s recent efforts to correct fiscal imbalances, the government has been imposing annual ceilings on total aid disbursements and on Sida’s expenditures. As a result, USD 85 million of invoices were held over from December 1998 to January 1999; USD 169 million in programme aid and credits were held over from April 1999 to 2000.

125. Although Sida considered that holding over the payment of invoices was manageable in the short term, the imposition of the second expenditure ceiling in April 1999 had a more dramatic effect. To manage the situation, Sida drew up an action plan to limit negative effects on its long-term development activities through avoiding the cancellation of agreements, postponing disbursements, exercising restraint when making new commitments and withholding activities as far as possible until 2000. Sida management can be commended for responding rapidly to minimise the disruption to its programmes following the imposition of the expenditure ceilings. However, managing aid programmes with the sort of “stop-start” adjustments that Sida had to contend with recently could be disruptive to long-term development activities and affect aid quality.

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11 . *Sida 1999 Annual Report*, p. 10.

### ***Guidance, direction and screening procedures***

126. Sida's activities are guided by objectives and targets set at a broad level by the Parliament, at more specific level by the government and in some detail by the MFA. An example of this is the government's new strategy for Africa, which Sida has translated into its own action plan. Boards of Directors have been set up for Sida and Swedfund International which help the Director-General or Managing Director ensure that the decisions of Parliament and government are implemented. While the Sida Board has a mainly consultative role, the Board of Swedfund has a decision-making role. A separate Research Committee whose tasks are to allocate research grants and to guarantee the quality of Sida's support to research guides SAREC's activities.

127. Sida projects with a value of less than SEK 50 million (USD 6 million) are approved by the relevant Sida regional department, except in the three decentralised embassies where local project approval committees, chaired by the Ambassador, have been established for this purpose. Larger projects are submitted to Sida's Project Appraisal Committee, which examines the project assessment before making a recommendation to the Director-General.

128. At another level, Sweden's development co-operation is influenced and guided by the work of the Expert Group on Development Issues (EGDI), formed in 1995, and to some extent replaced the former Secretariat for Analysis of Swedish Development Assistance. EGDI initiates studies, which will contribute to development thinking and policy making, ideally identifying and addressing major emerging issues. In this way, EGDI's work should contribute to an increased understanding of development issues in a global context and to the enhanced effectiveness of development co-operation policies. A recent study initiated by EGDI and of particular interest for the Swedish programme is *The Sustainability Enigma: Aid dependency and the Phasing Out of Project - The Case of Swedish Aid to Tanzania* while another study of more general interest is *Aid Dependence: Issues and Indicators*. The Group aims to be international and independent from the MFA - six of its 15 members are non-Swedish academics. However, official Swedish participation is substantial, consisting of the State Secretary as chair, the head of the Ministry's Department for International Development Co-operation and three senior staff from Sida.

### ***Monitoring and evaluation systems***

129. Sida's adherence to rules and regulations is audited regularly by the internal Sida auditor. Sida management, co-ordinated by the controller, responds to the reports prepared, describing what actions will be taken and how implementation will be followed up. Annually, the Sida auditor submits to the Board a synthesis report of audits undertaken and follow-up actions. Sida is also audited annually by Sweden's National Audit Office, which submits its own report to government.

130. In a similar structure, Sida's sectoral and regional departments carry out evaluations within their own area of responsibility, while a separate Evaluation Department, reporting directly to Sida's Board of Directors, is primarily concerned with more comprehensive and strategically important evaluations. Each year, following a period of internal consultations and discussions, a list of planned evaluation activities by both the Evaluation Department and operational departments is submitted to the Board of Directors. The board approves the Evaluation Department's plan while the Director-General approves those of the operational departments. The results of evaluations are presented in a report - those issued since 1995 are available on the Sida Internet site. Since 1999, a management response and action plan made in response to the evaluations conducted by the Evaluation Department is also formulated, normally within six weeks. The Sida Controller reports to the Director-General every six months on the results of the follow-up of the action plan. In addition, the Controller, in co-operation with the Evaluation Department and operational departments undertakes a comprehensive analysis of the findings and lessons learnt of all Sida evaluations.

131. Sida consequently has a strong and well-developed evaluation function operating at both the department and agency levels. *Sida's Evaluation Plan* for 2000 lists 23 evaluations to be undertaken by the Evaluation Department and another 87 to be carried out by operational departments. This represents a substantial amount of time and resources and raises the issue concerning the value and impact of this investment. The Evaluation Department commissioned a study in 1999, which considered whether evaluations are being useful (see Box 3). Although the findings were not altogether flattering, the fact that Sweden was ready to evaluate its evaluation process is refreshing and stimulating. It also shows the full extent of the Evaluation Department's mandate and that Sweden is considering more than its narrowly-defined evaluation policy. Since such studies are not common, the exercise could be of interest to other donors seeking to improve their aid performance.

### Box 3. Are evaluations useful?

Sida commissioned a study in 1999, which aimed to answer the question of whether evaluations are useful. The report focused on perceptions of the evaluation process by various stakeholders in the field, as well as their assessment of the usefulness of evaluations. Nine evaluations/projects in five sectors in five African countries were selected for the study.

The study concluded that although current Swedish aid policy revolves around the two basic concepts of "ownership" and "partnership", Sida's evaluation system is not adhering to these concepts because of Sida's dominance over the process. Specific findings and recommendations included:

- The purpose of evaluations needs to be made clearer as evaluations are rarely planned and designed with utilisation in mind.
- Terms of reference for evaluations are normally drafted at Sida. Sida should assist in building evaluation capacity in partner countries by giving counterparts access to resources that will enable them to initiate and conduct evaluations independently.
- Decisions on which evaluators to contract are also generally taken by Sida. An increasing use of competitive bidding would be cost-effective and could increase the quality of evaluators.
- Evaluations rarely provide new information, and technical recommendations tend to require new investments or an expansion in operational costs beyond the means of the counterparts.
- Evaluations are a concern for a limited proportion of those involved in a project or affected by its outcome. An evaluation is most useful when stakeholders find something that they can put to use according to their own interests and needs. Transferring the notion of ownership in evaluations is problematic as Sida has a "responsibility to exercise control." The stated aim of evaluations is to serve the Swedish public, the Government of Sweden and Sida's Board of Directors. Therefore, participation in evaluations is not really seen as a right of the collaborating partner.
- Evaluation results can be made more accessible. The further away from the centre of the decision making over a project, the less information is received on an evaluation's recommendations and findings.

### *Accountability procedures*

132. With its system of mandatory referral, the principal vehicle for parliamentary oversight of Sweden's development co-operation is its Committee on Foreign Affairs. This Committee has at least 15 members and includes representatives of all parties elected to Parliament. Its role includes debating and preparing a recommendation on matters within its domain for transmittal to the full chamber of Parliament

for consideration before a vote is taken. The Committee is also responsible for two areas of national expenditure: contributions to some international organisations and ODA/OA for CEECs. In addition, the Committee has been placing increasing emphasis on following up and evaluating activities within its domain. In recent years, it has examined Sweden's membership of international organisations and Sweden's participation in UN conferences during the 1990s. The Committee can summon experts to discuss issues and receive representatives from relevant organisations and visitors. Committee members travel abroad and the Chair and Vice-Chair often represent the Committee at international meetings. Compared to some other DAC Members, Sweden's parliamentarians consequently have a strong interest in Sweden's development co-operation, and become involved substantially and proactively.

133. A supplementary and interim accountability mechanism for Sweden's development co-operation is the Parliamentary Commission of Inquiry into Swedish Policy for Global Development, as mentioned in Chapters 1 and 4. The Commission's establishment is in response to some political pressure for a wide-ranging review of Sweden's aid, which is also timely as it follows the preparation of separate studies on poverty reduction, Africa, Asia, human rights and trade. A comprehensive review of Sweden's development co-operation was last undertaken some 25 years ago, and while the work of the new Commission may not have the same longevity, a profound and lasting impact on Swedish aid is to be expected.

## CHAPTER 6

### COUNTRY OPERATIONS

134. This chapter highlights Sweden's activities and endeavours in country operations such as innovative approaches, harmonisation, multi-bi partnerships, civil service salary supplements, human rights and democratic governance, gender equality, poverty focus and country-level evaluations. Most of the examples are drawn from the missions to Viet Nam and Tanzania carried out by the Examiners for this Peer Review and the Secretariat.

#### **6.1. Innovative approaches in supporting country ownership**

135. Sweden believes that donor projects should be eventually phased out and become part of a sector-wide programme. In order to carry this out, it considers that budgetary support is desirable and ideal, but in reality, challenges remain. First, there is often scepticism by the field-based staff regarding the capacity of partner governments to effectively manage the funds. Second, some partner governments or individual officials prefer to set aside their own donor funds to maintain better control. For example, in Viet Nam, Sweden is reluctant to carry out extensive budgetary support due, not only to the lack of transparency and accountability, but also since the Government of Viet Nam (GOV) earmarks donor funds vertically within sectors instead of integrating them into its national budget. Consequently, aid in Viet Nam is highly project-based and very little pooling of resources is actually realised.

136. At the same time, Sweden is carrying out limited budgetary support in various sub-sectors or for local administrations. In Tanzania at the national level, it is supporting the Tanzania Revenue Authority (TRA) for its capacity building and the Ministry of Education (MOE) in its textbook development and teachers' training. For certain district administrations, it is supporting water and sanitation through the Health through Sanitation and Water (HESAWA) programme and natural resources management through the Land Management Programme (LAMP). The challenge for Sweden is how to transfer ownership by the country and simultaneously ensure effective accountability of its funds without micro-management.

137. The example of Viet Nam is illustrative. To assist the GOV in the implementation and the management of funds, Swedish consulting firms are contracted as technical advisers and a national execution modality is partially adopted. The embassy assists in the preparation of the consultants' shortlist, which consists of predominantly Swedish experts, but the GOV takes a leading role in the selection and the contractual agreement processes. After the appointment, the consultants report directly to the GOV with few formal linkages to the embassy. In fact, there is a clear guideline instructing the consultants not to organise meetings with embassy officials without their national counterparts. Consequently, these consultants often identify themselves with the counterpart and are even free to criticise the embassy. As the administrative capacity of the GOV is adequate, Swedish consultants do not control or make decisions on behalf of their counterparts, but instead, contribute by co-ordinating and carrying out technical transfers of know-how. Similar modalities have been adopted in Tanzania as well.

138. There are two noticeable drawbacks to this approach. Firstly, this type of technical assistance tends to be tied to Swedish firms, although there are exceptions. The Government of Tanzania (GOT) states that although Sweden's procurement of goods is untied, it further wants progress in untying technical assistance, as there is lack of transparency in the nomination or short-listing of firms. Swedish consulting firms, however, claim that the system is changing and that there is more competitive bidding with EU firms. Either way, it is conceivable that to untie these types of technical assistance would be difficult for Sweden if it wants the advisors to be in accordance with broad Swedish values and policies and to have undergone Sida training on its development co-operation guidelines and modalities. Non-Swedish firms would have disadvantage in competing in this respect, particularly if they are of developing country origin.

139. Secondly, technical assistance is expensive and thereby possibly reduces the net transfer of the programme budget to the partner country. Of the USD 7 million programme budget for the Viet Nam-Sweden Co-operation Programme on Land Administration Reform (CPLAR), USD 2.6 million, or 37% of the total budget for five years is disbursed to technical assistance. Sweden states that this is an exception and thus is not a very representative example. In the HESAWA Programme in Tanzania, the consultants estimated that approximately half the programme budget is transferred within Stockholm as technical assistance fees.

140. These drawbacks are indeed predicaments for Sweden. Nevertheless, by engaging these consultants in an arms-length manner, Sweden is showing willingness to use cutting-edge modalities in delivering high quality technical assistance and in taking risks to implement programmes. It is the result of extensive analysis and discussions on how to ensure the accountability of budgetary support and simultaneously enable partner governments to take over ownership of their programmes. Until a better alternative is proposed by the entire donor community, this could be one of the most reasonable compromises that Sweden could offer to partner countries.

## **6.2. Strategies, harmonisation, and coherent efforts for multi/bi partnership**

141. The need for working towards a common set of goals and giving ownership to a partner country is widely recognised. However, the degree of viability, appropriateness and usefulness of such an approach varies from country to country. Moreover, its implementation is complex and time-consuming. For example, the GOV claims that the CDF of the World Bank is difficult to apply since, first, the government does not consider that it owns the framework, and second, the donors themselves are maintaining diversification. In fact, the GOV thinks all donors' country strategies are "their strategies" and that, while it may review or even countersign them, they remain basically the strategy of the donors. This includes Sweden's strategy, although the GOV acknowledges that Sweden makes more effort in consulting with them than some other donors.

142. In Tanzania, reaching a common goal in the CDF approach is taking a considerable amount of time. Meanwhile, with encouragement from the donors, the GOT started preparing the TAS (Tanzania Assistance Strategy) to bring all donors to work together with the government. The Strategy was to be based on the GOT's own Vision 2025, Poverty Eradication Strategy and other strategy documents. A group of senior GOV officials was taking the lead in the development by co-ordinating inputs from research institutions, other ministries and donors. Sweden promised at the *Workshop: Making Partnership Work on the Ground* it hosted with the other Nordic countries and the World Bank in August 1999 that its new country strategy to Tanzania will be in line with the TAS and that it will wait for its development. Sweden also encouraged the GOT to take a stronger leadership role in co-ordinating the donors in strategy development.

143. However, the IMF and the World Bank subsequently required Tanzania to prepare a Poverty Reduction Strategy Paper (PRSP) for the country to access the enhanced HIPC debt relief facility. Since a tight deadline was prescribed, the need to fulfil this process absorbed most of the GOT energies that might have otherwise gone into the TAS development. As consultants for the Overseas Development Institute (ODI) state (see Chapter 7), “the worry is that the IFI processes will be so overpowering and deadline driven that they will elicit little consultation of the thorough-going sort required, the big issues will be avoided and there will be nominal, instrumentally motivated compliance with many of the conditions. In other words, less will be achieved than might have been achieved by a more relaxed process with less weighty external actors and agendas.”<sup>12</sup> The PRSP also required household surveys to be carried out to obtain poverty data, which stretched the capacity of the GOT even further.

144. Many locally-represented bilateral donors raised objections to the World Bank and the IMF offices in Dar es Salaam regarding the PRSP timing, asserting that it should not precede the TAS, but should be based on it. The Swedish Embassy led the Like-Minded Group in sending letters to DAC Member capitals in the hope of mustering support to allow Tanzania to link the TAS and the PRSP processes. However, this did not materialise because Ministries of Finance (MOFs) of the Member countries who represent the Boards of the IFIs did not concede. On the other hand, the IFIs’ acceptance of a “floating completion point” not tied to specific measures in the PRSP was to some extent a result of the dialogue pursued by the bilateral donors.

145. Based on this example, the Swedish Ambassador in Dar es Salaam aptly pointed out that “since DAC Members are the largest contributors to the Bretton Woods institutions, their digression is attributable to some degree of incoherence by the DAC Members themselves.” This then implies that “we need to put our own house in order first.” Sweden’s MFA in Stockholm is said to be making an effort to ensure greater coherence with its MOF, but clearly more needs to be done in its partnership efforts and in handing-over ownership to recipient countries. A difficulty that Sweden is aware of is its relative small size and representation as an IFI-shareholder, and even smaller voting power in the UN system.

146. Another area that concerns multi/bi partnership is in harmonising procedures and SWAps. It is well known that Sweden is in the forefront of donors trying to carry out SWAps. In Tanzania, Sweden is particularly vocal in the principles of harmonisation of donor procedures and untied aid. Other Like-Minded donors present in Tanzania during the field mission, for instance, Ireland, Denmark, the Netherlands, Norway and Switzerland, were also in favour of the idea of putting down flags. In April 2000, four ministers of development co-operation from Germany, the Netherlands, Norway and the UK (the so-called Utstein Partners) visited Tanzania and jointly stated: “We believe that a concerted effort is needed to promote more effective joint working. This should build on existing co-ordinating systems. A more coherent and action oriented agenda is required to reduce transaction costs and increase effectiveness by strengthening joint programming, and harmonising appraisal, procurement, funding arrangements, accounting, auditing, monitoring, and evaluation. This would have clear benefits for all.”<sup>13</sup> Sweden was supportive of the ministers’ call.

147. What Sweden and other donors do not seem to sufficiently consider in harmonising procedures is the role of the multilateral institutions such as the World Bank, the regional development banks and UN agencies. What the bilaterals are striving to achieve with one harmonised administration is one reason multilateral institutions were set up to begin with. The question that could then be raised is why is Sweden trying to develop another multi-donor system instead of using the existing multilateral structures more.

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12. David Booth *et al*, *Evaluation of Swedish Tanzanian Development Co-operation: Revised Inception Report*, p. 8, ODI, 7 March 2000.

13. Ministerial Declaration by Germany, the Netherlands, Norway, and the UK on *More Effective Working by Donors*.

While pursuing the area of harmonising procedures, Sweden could, at the same time, explore the options of increasing participation in Sectoral Investment Programmes (SIPs) or multi/bi-funding and enable the multilaterals to administer the funds under one procurement, accounting, auditing, monitoring, and evaluation system that the board members have already agreed on. In specific priority countries, Sweden could also lead the discussion among the donor community to identify and define the merits and roles of bilateral aid in the multi-bi partnership context.

148. In Tanzania, Sweden argues that the multilaterals are sometimes putting up their own flags, particularly the UN agencies, and are not always effective in programme implementation or co-operative in donor co-ordination. As the prevailing situation in other countries may be different, and more favourable, the pros and cons of multi/bi- partnership merits further discussion in Stockholm. The MFA admits that it has yet to address the issues concerning roles of multilateral institutions in SWAPs, or its own role in SIPs. Furthermore, MOF officials reveal that their representatives in IFIs do not usually like to micro-manage and prefer to leave country operational issues up to the management of these institutions. Sweden nonetheless started recently a system of requiring its embassies in partner countries to report to Stockholm on the performance of multilateral institutions in the field. This commendable practice shows that Sweden is trying to do more in feeding back country-level issues. Sweden is encouraged to continue its leading role in the multilateral forums to promote a more coherent partnership between multi and bilateral donors at the country and international levels.

### **6.3. Project management units and civil service salary supplements**

149. The detrimental effects of donor-sponsored Project Management Units (PMUs) and civil servant salary supplements are well-known. In Viet Nam for example, the fact that the donor community is relatively new and yet there already exists a proliferation of several hundred PMUs is a source of concern. Donors claim that they are left with very little choice but to create PMUs because they can implement their projects better, more efficiently and quicker. In addition, most recipient country governments are not entirely adverse to PMUs, as many officials personally benefit from them. However, the problem generated by PMUs is that a whole new structure with separate administration, budget, accounts and an implementation system is created outside of and usually more powerful than the regular civil service. In effect, the “ownership” tends to be taken over by the PMUs instead of the particular ministry or public institution. The enhanced remuneration, benefits and other incentives provided for PMU staff can lead to inequity, as in some countries, development co-operation has become a business in itself. A senior official in the regular civil service of Viet Nam may be receiving a monthly salary of USD 40 plus some fringe benefits, whereas a UN Project Co-ordinator could be receiving USD 1 200. Such disparities cause major deterioration in morale among those who are left in the civil service. They also create a distorted incentive for officials to seek recruitment by the donors and leave the civil service, thereby generating an internal brain drain phenomenon.

150. The Report *Changing Aid Relationships in Tanzania* also states that the “existence of parallel implementation and staffing arrangements for projects has seriously undermined Tanzanian ownership, accountability, and capacity” and “the subject of public sector pay reform and capacity-building (and retention) in key governmental positions remains absolutely fundamental to the sustainability of the Tanzanian development effort and the efficacy of its ownership programmes. Donor policies continue to be at variance with one another, creating confusion, inequity, and inefficiency.”<sup>14</sup>

151. Like other donors, Sweden has also contributed to the creation of PMUs and salary supplements. In Tanzania, some donors mention that, although the District Based Support for Primary Education Project

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14. Helleiner, G. Annex p. 4 and p. 20.

itself is well-designed, Sweden and other donors are paying excessive salary for the MOE officers or Tanzanian consultants who are in charge of the project and who are supposed to be under the supervision of the Director of Planning. As a consequence, the PMU has become independent and isolated from the rest of the Ministry. Sweden is now, however, making efforts to address the challenges. In the absence of effective and all embracing SWAps that could possibly eliminate PMUs, other measures are taken in the meantime. In Viet Nam, Sweden has voluntarily put a USD 350 cap on the monthly supplementation to seconded government officials, in accordance with the EU's preliminary guidelines.

152. In the workshop *Making Partnerships Work on the Ground*, participant donors wondered what the alternatives were if critical tasks were to be implemented in a timely manner. Most donors are constrained by their annual budgetary and accounting systems, disbursement projections and output requirements. Sweden is in an advantageous position because of its multi-year budgetary system that allows it to carry over unspent balances. It can also easily shift from one budgetary line item to another. Although excessive carry-over balances are still undesirable, the flexibility exempts Sweden from being over-concerned with disbursing funds within a fiscal year.

153. Sweden is also trying to remedy the situation in a more comprehensive way. In Tanzania, Sweden, along with several other donors, is supporting the capacity building of the TRA through training and computerisation of the accounting system. This has enabled the TRA to steadily increase revenues by 150% in three years. Although the project is presumably not intended solely to resolve the issue of civil service salaries, it enables the GOT to increase its resource base to pay for its civil servants, which is the minimum condition of reducing PMUs and top-ups.

154. With its increased revenues, the GOT has started preparation for a Selective Salary Enhancement Scheme, which is intended to reduce the *ad hoc* topping-up by the donors. The plan is to have each ministry identify key positions, which will be filled on a competitive basis, and then bind the staff to a results-based management system under a contractual arrangement. The pay scale will be enhanced for these positions, and donor contributions to a basket fund will be sought on a five-year diminishing scale. The GOT states that almost all donors are part of the discussion group for this scheme, including Sweden. It is evident that work still needs to be done, including further analysis and better estimation for the sustainability of such a scheme - required resources must tally with projected revenues minus donor contributions for five years and beyond.

155. To the question of who drove up the salaries of project officials, the UNDP claims that it was the private sector that offered higher wages to grasp the small cadre of skilled Tanzanians, which in turn caused donors to offer more for their project-related local officials. Considering the high ODA/GNP ratio and the relatively small foreign direct investment in Tanzania, this is rather unconvincing. It is more likely that donors themselves have contributed in competing with each other and thereby collectively undermined the civil service. As the report: *Changing Aid Relationships in Tanzania* suggests, donors need to maintain "discipline, in the form of self-denying ordinances against undercover topping up (including subsidised housing)" and "to resist the temptation to return to the practices they have formally foresworn."<sup>15</sup> Sweden, as well as other donors, is encouraged to continue joint-efforts in helping restore the public administration of partner countries.

#### **6.4 Promotion of human rights and democratic governance**

156. In Vietnam, aside from the objective of poverty reduction, the other objective of equivalent hierarchy articulated in Sweden's country strategy is the promotion of human rights and democratic

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15. *Ibid.*, p. 21.

governance. Based on this, Sweden is supporting the capacity building of the Office of the National Assembly (with respect to parliamentary supervision and information), the Human Rights Research Institute of the Ho Chi Minh Political Academy (human rights legislation and training of parliamentarians and senior officials such as the police, prosecutors and judges), Justice Ministry (legal sector development) and Viet Nam Women's Union (participatory approaches and information dissemination of economic rights of women). Most of the co-operation is carried out through twinning arrangements with Swedish organisations. As a basis for its country strategy, Sweden commissioned a report entitled *Viet Nam's Democracy and Human Rights*, which analysed and recommended areas to help Viet Nam strengthen, such as development of the mass media, judicial system, legal assistance, public information strategy, modern business legislation, and economic reform. It also suggested that political dialogue should be carried out not only with central authorities but also at local and rural levels.

157. The process that took place in conducting the study is somewhat surprising. Sweden states that the consultants contracted to carry out the study were given a detailed terms of reference, which included analysis on areas such as human rights and gender equality. However, in order to acquire visas for the consultants' entry and to use as an introductory document when making appointments and holding meetings with GOV officials, Sida took out the sensitive areas and made a short version of the terms of reference, leaving only six general areas of the report. This became the "official" terms of reference which did not refer to issues such as gender equality, ethnicity, children, torture, death penalty, and so on. Not even the word "democracy" appears anywhere in the terms of reference. The consultants' work was, nevertheless, to investigate and write a report in accordance with the full instruction.

158. This case exemplifies both the challenge that Sweden faced and the compromise that it came up with when the priorities of a partner government did not agree with its own. However, this raises questions regarding Sweden's approach to transparent relationships and open dialogue with its partner governments in pursuing the area of human rights, democratic governance, and gender equality. It also touches upon the fundamental issue of how Sweden defines as good partnership and promoting ownership of partner countries over their own course of development.

## **6.5. Gender equality mainstreaming**

159. Sweden demonstrates a robust approach in officially integrating gender equality in its country programmes. However, in practice, results are mixed. In Viet Nam, visible and positive illustrations of gender mainstreaming can be seen in the Mountain Rural Development Programme (MRDP), which aims to achieve gender balanced development in the mountainous regions by including gender-awareness and training components. The Viet Nam-Sweden Health Co-operation programme has addressed some gender equality issues by: consulting women on their health priorities and needs; generating and using sex-disaggregated data on illness and reproductive health; and ensuring that some gender-specific needs are reflected in project activities, such as building special delivery rooms and regularising visits by health workers for pregnant women. Indeed, the figures reported by Sweden to the DAC on the gender policy marker for 1998 show that 65% of Sweden's activities in Viet Nam have some degree of gender mainstreaming (and 3% with gender equality as a main goal). This is a high score among the Viet Nam country programmes of all DAC Members, whose average is only around 30%.

160. In the LAMP of Tanzania, Sweden encourages each district council to appoint a gender focal officer to work on gender issues by e.g. promoting female participation in businesses and village initiatives such as committee formation. Furthermore, 200 Masai legal workers were trained in the programme on gender issues concerning land ownership, police treatment, domestic violence and so on. Sweden is also the only donor financing the Gender Section of the GOT's Public Service Reform Programme. The objective is to help the section mainstream gender issues in the civil service. This is done by, *inter alia*:

establishing a gender focal point in each ministry; reviewing and revising personnel policies to include rules on equal opportunity; carrying out gender related surveys; conducting gender training; establishing gender indicators; and developing codes of conduct including a paragraph on sexual harassment. Sweden also assisted the MOE in analysing gender stereotypes in school textbooks.

161. These mainstreaming efforts by Sweden to pay attention to gender issues are commendable. However, monitoring and reporting on gender equality take place on an *ad hoc* basis for individual activities and are not collated to provide an overall picture, neither in the field nor in Stockholm. There is a lack of systematic approach, with mainstreaming largely depending on individual champions and initiatives. The Swedish aid programme does not have a standardised system that ensures attention to gender equality, despite it being one of the six objectives in its overall development co-operation policy. For example, neither the *Semi-Annual Report: April-September 1999* of the Embassy in Hanoi nor Sida's 1999 Annual Report provide information on gender mainstreaming.

162. Due to the absence of a checks-and-balances system, there are several observable cases where gender mainstreaming has not been carried out. For example, gender related analysis is deficient in the the document *Viet Nam Democracy and Human Rights*, which served as a basis of the country strategy for Viet Nam. In the CPLAR, it is not clear as to whether Sweden sufficiently addresses the issue of equal land rights for women, as sex-disaggregated figures on land tenure are not being collected. In Tanzania, although Sweden is supporting teachers' training, it is not monitoring the number or proportion of female teachers in primary education or the ratio of female teachers being trained. In the enterprise/business co-operation activities in Viet Nam, there is no specific criterion for ensuring that women entrepreneurs are included in the activities of funded projects. This is also seen in the PSD promotion in Tanzania where few plans seem to exist on how to incorporate gender equality measures in the activities.

163. Part of the challenge in mainstreaming could be that, in reality, gender equality is a sensitive issue that may be met with resistance in partner countries. According to the Vietnamese staff in the Embassy in Hanoi, women's land rights are a delicate issue in certain provinces, and thus are not openly discussed. In the MRDP, villagers revealed that it is only women who attend gender training and that men are not really interested. In Tanzania, the Swedish technical advisor in the LAMP mentioned that although people are at least talking about gender issues and that things are generally moving in the right direction, there is still a long way to go. The GOT official in the Gender Section stated that although gender equality is now less driven by the donors in the Tanzanian civil service, there was total resistance to the idea at first. The Swedish Embassy also mentions that DAC gender guidelines are fairly accepted by the GOT but not in Tanzanian society, which is still considerably male oriented in terms of inheritance rights and other privileges.

164. People of developing countries, including representatives of partner countries, may argue that gender equality is not a necessary condition for development but that it is more of an outcome of development, demonstrated by the fact that many donor countries themselves did not have gender equality *per se* as their means for poverty reduction when they were at an equivalent developmental stage with today's developing countries. To be a convincing donor partner, Sweden may want to show better analysis on the linkages between gender inequality and poverty in the country analysis. It then could map out and explain to the stakeholders how gender equality actually leads to the overall goal of poverty reduction within the recipients' contexts, which is an end that many partner countries agree to. Rather than pursuing gender equality activities that appear as an end in itself, thereby giving the impression of introducing a supply-driven ideology, stakeholders would benefit from learning how gender equality - or even simply gender targeting - could actually lift them out of the day-to-day poverty, hunger and disease with which they are struggling. Targets and indicators should be agreed on together with the stakeholders, with baseline data to be collected before the intervention. Finally, a systematic monitoring and reporting system, both at the field level as well as in Stockholm, could provide a basis of lessons-learned and help in the

process of understanding the inter-relation between gender equality and development for both Sweden as well as its partner countries.

## **6.6. Poverty reduction focus and results orientation**

165. Sweden is a donor making serious efforts to focus on poverty reduction in the field. In Viet Nam, Sweden's active involvement in this area is appreciated by the GOV, which is committed to elevating the living standards of its poor. In particular, Sweden co-financed two Viet Nam Living Standards Surveys with the UNDP in 1993 and 1998 (summarised in the report by the GOV-Donor-NGO Working Group, *Attacking Poverty*) and worked actively with the World Bank, other donors and the GOV in the analyses. The GOV currently seeks and relies on Sweden's advice in the development of its poverty reduction strategy.

166. In Tanzania, Sweden is actively supporting the TAS and the PRSP, and particularly in mobilising other donors to help the GOT link the two, as stated earlier. Sweden also hosted the DAC's Poverty Network's consultative meeting in Tanzania in March 2000. The HESAWA Programme aims at outputs that have a clear poverty reducing impact by fighting malnutrition and providing rural areas with clean water and proper sanitation facilities. The LAMP also has a direct poverty reduction focus by concentrating on sustainable use of natural resources, targeting the vulnerable groups and distinctly poor districts.

167. On the other hand, poverty reduction is not the overriding goal of Swedish operations in the field, clearly evidenced in the country strategies for Viet Nam and Tanzania. For Viet Nam, aside from poverty reduction, it is stated that the promotion of democracy and human rights is an equivalent main objective, as mentioned earlier. For Tanzania, the country strategy does not describe poverty reduction as Sweden's overriding concern, around which all other strategic issues are centred. The priority order of these considerations is not clear, which includes economic growth, intensified democracy, increased gender equality, good public administration, improved social services and poverty reduction.

168. Poverty focus could be sharpened in actual operations. For example, the Mid-Term Review of the MRDP in Viet Nam states that one of its major shortcomings is the lack of clarity in the objectives and verifiable indicators. The review also assesses that the relevance of the project to the poor in midland areas and the poor and less poor in mountain areas are not high. The HESAWA Programme and the LAMP in Tanzania do not make a distinction between the poor and the not-so-poor when defining its target group. Moreover, large programmes, including infrastructure, balance of payment support, research co-operation, and Swedish NGO support does not have obvious poverty reduction focus. Therefore, the extent to which they would have an impact on Tanzania depends on the strength of the trickledown effect, i.e. the GOT policies and the effectiveness with which it manages to implement them.

169. Another example is the CPLAR (USD 7.2 million for 1997-2001), in which one of the projects required a Swedish consulting firm to assist in cadastral surveying and mapping by using new technology, introducing guidelines for land use planning, organising overseas training, and establishing a modern land registration system. One of the activities include Swedish cartography experts to assist local Viet Namese authorities in taking aerial topographical photographs and using computer technology to convert them into maps and digital data so that the authorities could issue accurate land registration certificates to citizens. While the project's benefits appear quite clear, it is not evident as to how the objective of the project, stated as "by the end of the co-operation, the capacity of the Land Administration Branch in Viet Nam will comprise methods, rules, and procedures that will be able to satisfy the requirements of society" leads to poverty reduction or the overall objective of the programme, which is not stated in the Mid-Term Report. If better land ownership means improved democracy and human rights, it still merits an explanation of how that leads to poverty reduction as opposed to being an end in itself.

170. Sweden states that poverty is multi-dimensional and that poverty reduction is not simply a matter of improving the economic living standards of the poorest people. The difficulty that this premise may face is how to reconcile it with the poverty reduction goal of the IDGs, which is precisely the goal of halving those below the poverty line of USD 1 a day by 2015. Despite Sweden's stated commitment to the strategy, this goal is not referred to in the field, or often in Stockholm and is clearly not the guiding principle for its aid programme, as mentioned in Chapter 1. Nor are the other IDGs targeted for 2015 explicitly referred to in Sweden's country programmes.

171. There are mainly two challenges in targeting IDGs. First, one donor alone cannot achieve these goals in each partner country and that a concerted effort by all donors who are committed to the IDGs is needed. However, in both Viet Nam and Tanzania, very few donors refer to the development partnership strategy or the IDGs, indicating that they are not the guiding principles for the aid programmes in these countries. The World Bank stated that Viet Nam's poverty has halved since 1990 and therefore has already met the first goal anyhow. Second, a systematic and quantifiable assessment of impact is indeed challenging at a country programme level. Given the long timeframe and complex cause-effect linkages between aid and changes at the country level, it is practically impossible to attribute changes to a specific donor, as also mentioned in Chapter 5.

172. Nevertheless, if the international community is to show commitment and political will to meet the targets, further efforts are needed by all donors - not only Sweden - to show how aid programmes are contributing to them. Giving the IDGs a more operational focus by each donor would be a useful step. Sweden is thus encouraged to gear its activities to a more results-oriented programme where possible. The starting point of country analyses and strategies could be more focused on poverty reduction, as defined by the country and stakeholders themselves, with specific and agreed target groups and qualitative or quantitative indicators, which could be monitored and assessed. The appropriate instruments - grants, loans, NGOs, research co-operation, budgetary support, etc. - could devolve from the particular needs and be chosen as the specific means towards poverty reduction rather than as a supply-driven response. In this respect, the country programme should be comprehensive, coherent, and reinforcing each instrument. Activities in gender equality and democracy and human rights especially need to show the stakeholders in partner countries how they could clearly link to poverty reduction, instead of assuming that it will happen somehow in an unspecified time in the future. Furthermore, as Sweden has earned respect and trust from the international community by dedicating itself to donor co-ordination and multilateral activism, it is also encouraged to continue leading the discussions among donors in better focusing on obtaining concrete results from the collective efforts in poverty reduction.

## 6.7. Country-level evaluations

173. Sweden has an ongoing approach to lessons-learned and is continuously reassessing its *modus operandi*. Evaluations, studies and workshops are constantly carried out at the country, regional, headquarters and international levels. Not all of them are necessarily of notable quality or seem to influence operational thinking, but Sweden's ceaseless approach to reflection and self-improvement is impressive. In Viet Nam, for example, Sweden commissioned two evaluations on the flagship Bai Bang Paper Production Project (1969-96, total investment approximately USD 1 billion ODA) by the Christian Michelsen Institute of Norway and the Centre for International Economics of Australia. Other evaluations and studies for Viet Nam include: *Fostering High Growth in a Low Income Country*; *Swedish Programme Aid to Viet Nam*; *Swedish Support to the Power Sector in Viet Nam*; *Viet Nam and the Asian Crisis: Causes, Consequences, and Cures*; and *Viet Nam Results Analysis*. There are also frequent and strict internal and external audits to ensure adequate use of resources by the GOV, NGOs and the Embassy.

174. For Tanzania, Sweden recently commissioned an evaluation of its country programme by the ODI of the United Kingdom (UK). This exercise is the first of its kind for Sweden, and will be followed by a series of others, such as for Mozambique. Its purpose is to examine the relevance and coherence of Sweden's current country strategy for 1997-2001. The evaluation is expected to make concrete recommendations to Sida on how to improve Swedish-Tanzanian development co-operation in the next strategy period. However, it will not make any assessment on impact of the programme nor be concerned with individual country programme components *per se*. The two subsidiary outputs for the evaluation include suggestions on how to concentrate on fewer sectors and projects and on increasing the total value of the country programme in line with the GOT's absorptive capacity, while bringing more activities - PSD, economic policy reform, NGOs and democracy and human rights, which are currently financed by special appropriations - into the country frame.

175. On relevance and coherence, the evaluation will examine, first, how relevant the Swedish aid programme is to poverty reduction in Tanzania. This will be done mainly by reviewing the country analysis that formed the basis of the strategy to see whether Sweden made adequate analysis of poverty and the causal linkages. It will particularly examine whether Sweden: prioritised which dimensions of poverty to address; identified which were the important causes of poverty; and selected the best mix of measures to address the causes. The Revised Inception Report notes that Sweden may have been paying attention to relevant aspects of poverty for its strategic thinking, such as intra-household distributional issues, social consumption and nonmaterial assets, evidenced by the fact that a significant proportion of researches on these topics are funded by Sweden.

176. Second, the evaluation will examine how the strategy is relevant to the goals laid down by the Swedish Government and whether the objectives are logically related to each other in a coherent way. The Inception Report notes that the strategy does not treat poverty reduction as an overarching objective, as also referred to in this chapter. The report questions whether Sweden used the logical framework approach as a basis for the strategy, particularly in carrying out strategic thinking in close collaboration with partners.

177. The evaluation will examine operational issues concerning, for example, the criteria that were used in deciding different alternatives of aid financed activities, including whether adequate cost/benefit analysis were made. The alternatives, however, will be compared within the same types of interventions, ranging from "poverty targeting (targeted)," "measures that include poverty reduction (inclusive)," or "measures that create enabling conditions for poverty reduction (enabling)." It will nevertheless ask how Sweden thought-through the expected outcomes from particular activities, including whether or not baseline studies were used. The assessments will also be considered against the macro-economics of poverty reduction in Tanzania - whether there was clear evidence of the relationship between economic growth and poverty reduction or the efficacy of the "trickle down" effect.

178. Third, it will examine how the strategy and the country programme are relevant to the reality of the weak GOT capacity. The Report states that it is questionable whether Sweden had incorporated the insights on this subject into operational thinking to a sufficient degree. It will also examine whether the programme is coherent with GOT priorities - though taking into consideration the fragmented policy making environment - and whether processes are coherent with country ownership according to international partnership principles and guidelines.

179. Sweden has taken on a rigorous and exhaustive evaluation of one of its major country programmes. The evaluation report is expected to be completed by the third-quarter 2000, and Sida intends to share it as widely as possible. This self-critical and open attitude to improve exemplifies Sweden's seriousness towards the quality of its country programmes.

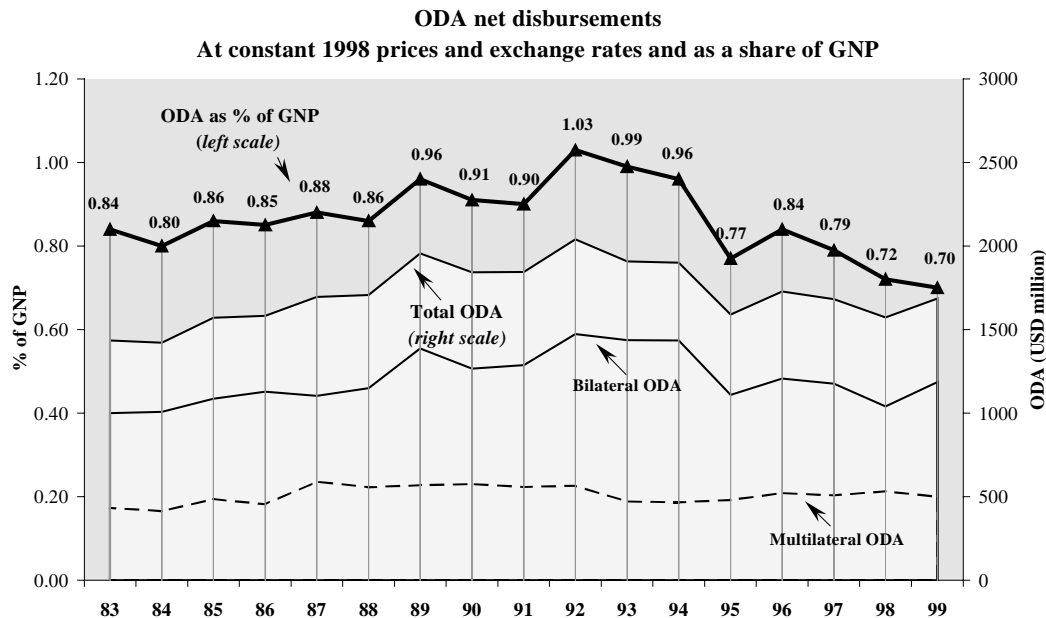
**ANNEX I**  
**STATISTICS OF AID AND OTHER FLOWS**

Table I.1. Total financial flows

USD million at current prices and exchange rates

Sweden	Net disbursements						
	1983-84	1988-89	1995	1996	1997	1998	1999
<b>Total official flows</b>	<b>981</b>	<b>1 666</b>	<b>1 859</b>	<b>2 200</b>	<b>1 893</b>	<b>1 692</b>	<b>1 726</b>
Official development assistance	747	1 666	1 704	1 999	1 731	1 573	1 630
Bilateral	526	1 155	1 189	1 395	1 209	1 041	1 146
Multilateral	222	512	515	604	522	532	484
Official aid	n.a.	n.a.	152	178	148	105	99
Bilateral			98	127	104	105	94
Multilateral			54	51	44	-	6
Other official flows	233	-	4	23	14	15	-3
Bilateral	230	-	4	23	14	15	-3
Multilateral	4	-	-	-	-	-	-
<b>Grants by NGOs</b>	<b>62</b>	<b>126</b>	<b>37</b>	<b>22</b>	<b>27</b>	<b>40</b>	<b>71</b>
<b>Private flows at market terms</b>	<b>242</b>	<b>549</b>	<b>250</b>	<b>- 124</b>	<b>909</b>	<b>2 505</b>	<b>2 407</b>
Bilateral: <i>of which</i>	242	548	251	- 124	909	2 505	2 407
Direct investment	129	121	34	255	906	2 505	1 798
Export credits	113	710	218	- 379	3	0	81
Multilateral	-	1	- 2	-	-	-	-
<b>Total flows</b>	<b>1 285</b>	<b>2 341</b>	<b>2 146</b>	<b>2 098</b>	<b>2 829</b>	<b>4 237</b>	<b>4 204</b>
<i>for reference:</i>							
ODA (at constant 1998 \$ million)	1 429	1 832	1 590	1 729	1 684	1 573	1 686
ODA (as a % of GNP)	0.82	0.91	0.77	0.84	0.79	0.72	0.70
Total flows (as a % of GNP) (a)	1.41	1.28	1.00	0.84	0.96	1.30	1.24

a. To countries eligible for ODA.



Source: OECD.

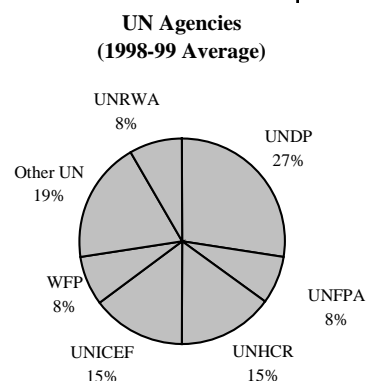
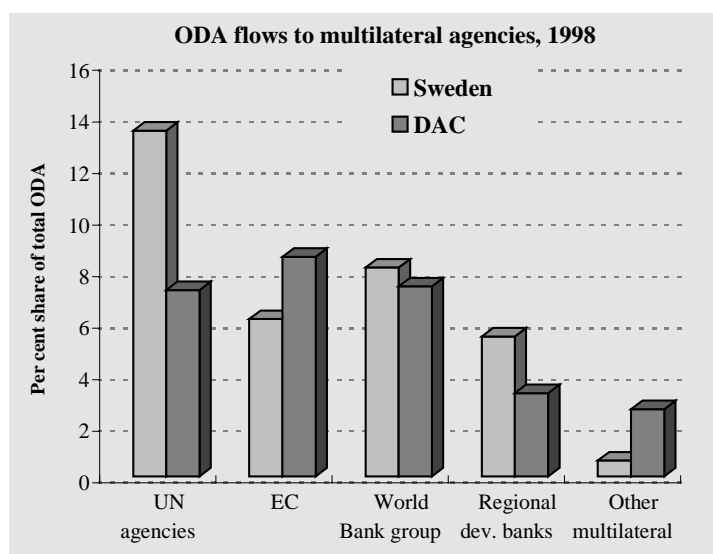
Table I.2. ODA by main categories

Sweden	Constant 1998 USD million					Per cent share					Total DAC 1998%
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
	<b>Bilateral</b>	<b>1 110</b>	<b>1 207</b>	<b>1 176</b>	<b>1 049</b>	<b>1 185</b>	<b>70</b>	<b>70</b>	<b>70</b>	<b>66</b>	
Project and programme aid											
Grants	377	303	636	562	617	24	18	38	36	37	13
Loans	-	-	-	4	3	-	-	-	0	0	16
Technical co-operation	221	225	45	58	49	14	13	3	4	3	22
Developmental Food aid (a)	-	-	-	-	-	-	-	-	-	-	2
Emergency and Distress relief (a)	252	232	227	212	280	16	13	14	13	17	5
Action relating to debt	45	25	10	8	33	3	1	1	1	2	6
Core support to NGOs	108	248	106	108	105	7	14	6	7	6	2
Administrative costs	75	83	88	83	93	5	5	5	5	6	5
Other grants	32	90	62	15	5	2	5	4	1	0	2
<b>Multilateral</b>	<b>480</b>	<b>522</b>	<b>508</b>	<b>532</b>	<b>500</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>34</b>	<b>30</b>	<b>29</b>
UN agencies	242	231	215	212	229	15	13	13	13	14	7
EC	92	91	90	97	93	6	5	5	6	6	9
World Bank group	111	121	123	128	108	7	7	7	8	6	7
Regional development banks (b)	19	43	58	86	67	1	2	3	5	4	3
Other multilateral	16	37	21	10	3	1	2	1	1	0	3
<b>Total gross ODA</b>	<b>1 590</b>	<b>1 729</b>	<b>1 684</b>	<b>1 581</b>	<b>1 686</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
Repayments	-	-	-	- 8	-						
<b>Total net ODA</b>	<b>1 590</b>	<b>1 729</b>	<b>1 684</b>	<b>1 573</b>	<b>1 686</b>						
<i>For reference:</i>											
<i>Aid channelled through NGOs</i>	-	-	-	-	272						
<i>Associated financing (c)</i>	29	86	54	3	-						

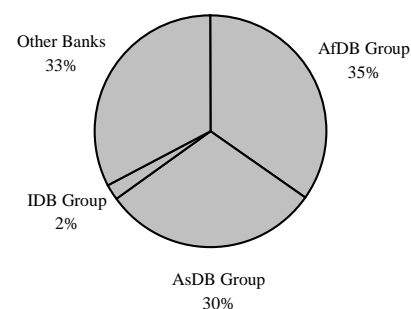
a. Emergency food aid included with Developmental Food Aid up to end 1995.

b. Excluding EBRD.

c. ODA grants and loans in associated financing packages.



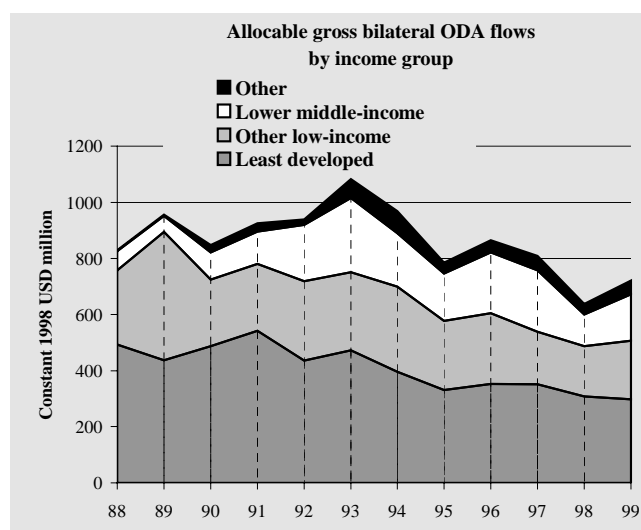
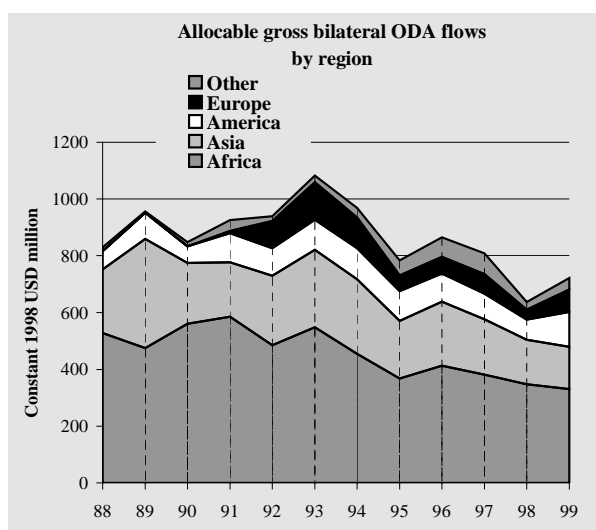
**Regional Development Banks (1998-99 Average)**



Source: OECD.

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

Sweden	Constant 1998 USD million					Per cent share					Total DAC 1998%
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
	<i>Gross disbursements</i>										
<b>Africa</b>	367	413	381	347	331	47	48	47	54	46	<b>36</b>
Sub-Saharan Africa	356	399	377	343	325	45	46	47	54	45	<b>29</b>
North Africa	12	15	4	5	5	1	2	0	1	1	<b>8</b>
<b>Asia</b>	203	225	195	157	149	26	26	24	25	21	<b>38</b>
South and Central Asia	121	107	90	70	73	15	12	11	11	10	<b>14</b>
Far East	83	118	106	87	77	11	14	13	14	11	<b>23</b>
<b>America</b>	105	99	90	71	123	13	11	11	11	17	<b>13</b>
North and Central America	56	63	48	43	95	7	7	6	7	13	<b>7</b>
South America	49	36	41	28	28	6	4	5	4	4	<b>7</b>
<b>Middle East</b>	53	67	74	27	40	7	8	9	4	5	<b>4</b>
<b>Oceania</b>	0	0	-	0	0	0	0	-	0	0	<b>5</b>
<b>Europe</b>	55	59	69	35	79	7	7	9	6	11	<b>4</b>
<b>Total bilateral allocable</b>	<b>784</b>	<b>865</b>	<b>809</b>	<b>638</b>	<b>721</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Least developed</b>	331	353	352	308	298	42	41	44	48	41	<b>25</b>
<b>Other low-income</b>	246	252	186	179	208	31	29	23	28	29	<b>31</b>
<b>Lower middle-income</b>	170	216	220	112	166	22	25	27	18	23	<b>35</b>
<b>Upper middle-income</b>	38	43	50	38	48	5	5	6	6	7	<b>6</b>
<b>High-income</b>	0	0	-	0	1	0	0	-	0	0	<b>3</b>
<b>More advanced developing countries</b>	0	1	-	-	-	0	0	-	-	-	<b>-</b>
<i>For reference:</i>											
<i>Total bilateral</i>	1 110	1 207	1 176	1 049	1 185	100	100	100	100	100	100
<i>of which: Unallocated</i>	325	342	367	411	464	29	28	31	39	39	23



Source: OECD.

Table I.4. Main Recipients of bilateral ODA

*Gross disbursements, two-year averages*

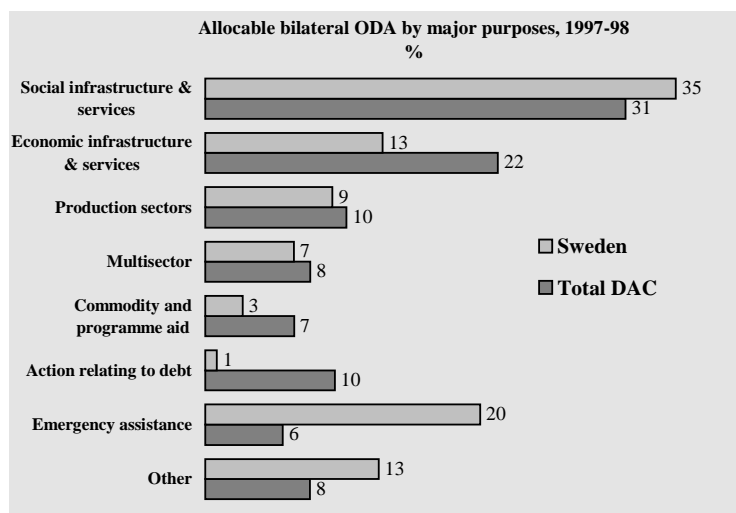
Sweden	1988-89			1993-94			1998-99				
	Current USD million	Constant 1998 USD mn.	Per cent share	Current USD million	Constant 1998 USD mn.	Per cent share	Current USD million	Constant 1998 USD mn.	Per cent share		
India	130	142	16	India	78	83	8	Tanzania	53	54	8
Tanzania	97	107	12	Mozambique	73	77	8	Mozambique	43	44	6
Mozambique	94	104	12	Tanzania	71	76	7	South Africa	36	37	5
Nicaragua	54	59	7	Sts Ex-Yugoslavia unsp.	59	64	6	Viet Nam	33	34	5
Viet Nam	44	49	5	Ethiopia	39	42	4	Bosnia and Herzegovina	27	28	4
<b>Top 5 recipients</b>	<b>419</b>	<b>460</b>	<b>52</b>	<b>Top 5 recipients</b>	<b>320</b>	<b>342</b>	<b>33</b>	<b>Top 5 recipients</b>	<b>193</b>	<b>196</b>	<b>29</b>
Ethiopia	43	47	5	Zambia	35	37	4	Nicaragua	27	27	4
Zambia	36	40	4	Zimbabwe	35	37	4	Ethiopia	26	26	4
Angola	35	38	4	South Africa	34	36	4	Bangladesh	23	23	3
China	32	35	4	Nicaragua	33	36	3	Palestinian Adm. Areas	21	21	3
Kenya	28	31	3	Viet Nam	33	35	3	Angola	20	20	3
<b>Top 10 recipients</b>	<b>593</b>	<b>652</b>	<b>73</b>	<b>Top 10 recipients</b>	<b>490</b>	<b>522</b>	<b>51</b>	<b>Top 10 recipients</b>	<b>308</b>	<b>314</b>	<b>46</b>
Zimbabwe	22	25	3	China	26	28	3	Zimbabwe	19	20	3
Bangladesh	20	22	2	Bangladesh	26	28	3	Honduras	16	16	2
Botswana	19	21	2	Angola	25	27	3	Uganda	15	15	2
Afghanistan	16	17	2	Bosnia and Herzegovina	25	26	3	India	15	15	2
Laos	16	17	2	Uganda	21	22	2	Guatemala	15	15	2
<b>Top 15 recipients</b>	<b>686</b>	<b>754</b>	<b>85</b>	<b>Top 15 recipients</b>	<b>613</b>	<b>653</b>	<b>64</b>	<b>Top 15 recipients</b>	<b>388</b>	<b>395</b>	<b>58</b>
Uganda	14	15	2	Kenya	18	22	2	Zambia	15	15	2
Sudan	13	14	2	Philippines	17	19	2	Kenya	14	14	2
Guinea-Bissau	13	14	2	Namibia	17	18	2	Sri Lanka	14	14	2
Cape Verde	10	11	1	Laos	15	18	2	Bolivia	13	13	2
Algeria	9	10	1	Bolivia	15	16	2	Yugoslavia, Fed. Rep.	13	13	2
<b>Top 20 recipients</b>	<b>745</b>	<b>819</b>	<b>92</b>	<b>Top 20 recipients</b>	<b>695</b>	<b>746</b>	<b>72</b>	<b>Top 20 recipients</b>	<b>456</b>	<b>464</b>	<b>68</b>
<b>Total (72 recipients)</b>	<b>812</b>	<b>893</b>	<b>100</b>	<b>Total (120 recipients)</b>	<b>965</b>	<b>1 026</b>	<b>100</b>	<b>Total (112 recipients)</b>	<b>668</b>	<b>680</b>	<b>100</b>
Unallocated	346	380		Unallocated	387	410		Unallocated	430	437	
<b>Total bilateral gross</b>	<b>1 158</b>	<b>1 273</b>		<b>Total bilateral gross</b>	<b>1 352</b>	<b>1 436</b>		<b>Total bilateral gross</b>	<b>1 098</b>	<b>1 117</b>	

Source: OECD.

Table I.5. **Bilateral ODA by major purposes**  
at current prices and exchange rates

Gross disbursements, two-year averages

Sweden	1988-89		1993-94		1997-98		1999		1997-98 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	USD million	Per cent	
<b>Social infrastructure &amp; services</b>	<b>216</b>	<b>21</b>	<b>435</b>	<b>32</b>	<b>381</b>	<b>35</b>	<b>388</b>	<b>35</b>	<b>31</b>
Education	56	5	91	7	86	8	67	6	11
of which: basic education	-	-	25	2	49	4	34	3	1
Health	61	6	115	9	64	6	48	4	4
of which: basic health	-	-	39	3	41	4	13	1	1
Population programmes	0	0	9	1	15	1	31	3	2
Water supply & sanitation	35	3	51	4	20	2	42	4	6
Government & civil society	46	4	81	6	108	10	120	11	4
Other social infrastructure & services	19	2	86	6	88	8	80	7	4
<b>Economic infrastructure &amp; services</b>	<b>184</b>	<b>18</b>	<b>174</b>	<b>13</b>	<b>144</b>	<b>13</b>	<b>103</b>	<b>9</b>	<b>22</b>
Transport & storage	35	3	38	3	27	2	27	2	9
Communications	26	2	43	3	27	2	12	1	1
Energy	115	11	87	7	53	5	29	3	8
Banking & financial services	3	0	0	0	27	2	17	1	1
Business & other services	6	1	6	0	11	1	18	2	2
<b>Production sectors</b>	<b>161</b>	<b>15</b>	<b>174</b>	<b>13</b>	<b>103</b>	<b>9</b>	<b>44</b>	<b>4</b>	<b>10</b>
Agriculture, forestry & fishing	92	9	147	11	87	8	36	3	8
Industry, mining & construction	63	6	25	2	12	1	1	0	2
Trade & tourism	4	0	2	0	4	0	7	1	0
Other	2	0	2	0	0	0	-	-	0
<b>Multisector</b>	<b>20</b>	<b>2</b>	<b>104</b>	<b>8</b>	<b>72</b>	<b>7</b>	<b>72</b>	<b>6</b>	<b>8</b>
<b>Commodity and programme aid</b>	<b>168</b>	<b>16</b>	<b>49</b>	<b>4</b>	<b>30</b>	<b>3</b>	<b>20</b>	<b>2</b>	<b>7</b>
Action relating to debt	-	-	19	1	9	1	32	3	10
Emergency assistance	162	15	307	23	223	20	271	24	6
Administrative costs of donors	48	5	74	6	87	8	90	8	6
Core support to NGOs	89	9	1	0	54	5	102	9	2
<b>Total bilateral allocable</b>	<b>1 047</b>	<b>100</b>	<b>1 338</b>	<b>100</b>	<b>1 103</b>	<b>100</b>	<b>1 123</b>	<b>100</b>	<b>100</b>
<i>For reference:</i>									
Total bilateral	1 177	70	1 351	75	1 129	68	1 146	70	72
of which: Unallocated	129	8	13	1	25	2	24	1	4
Total multilateral	514	30	442	25	527	32	484	30	28
<b>Total ODA</b>	<b>1 690</b>	<b>100</b>	<b>1 793</b>	<b>100</b>	<b>1 656</b>	<b>100</b>	<b>1 630</b>	<b>100</b>	<b>100</b>



Source: OECD.

Table I.6. Comparative aid performance

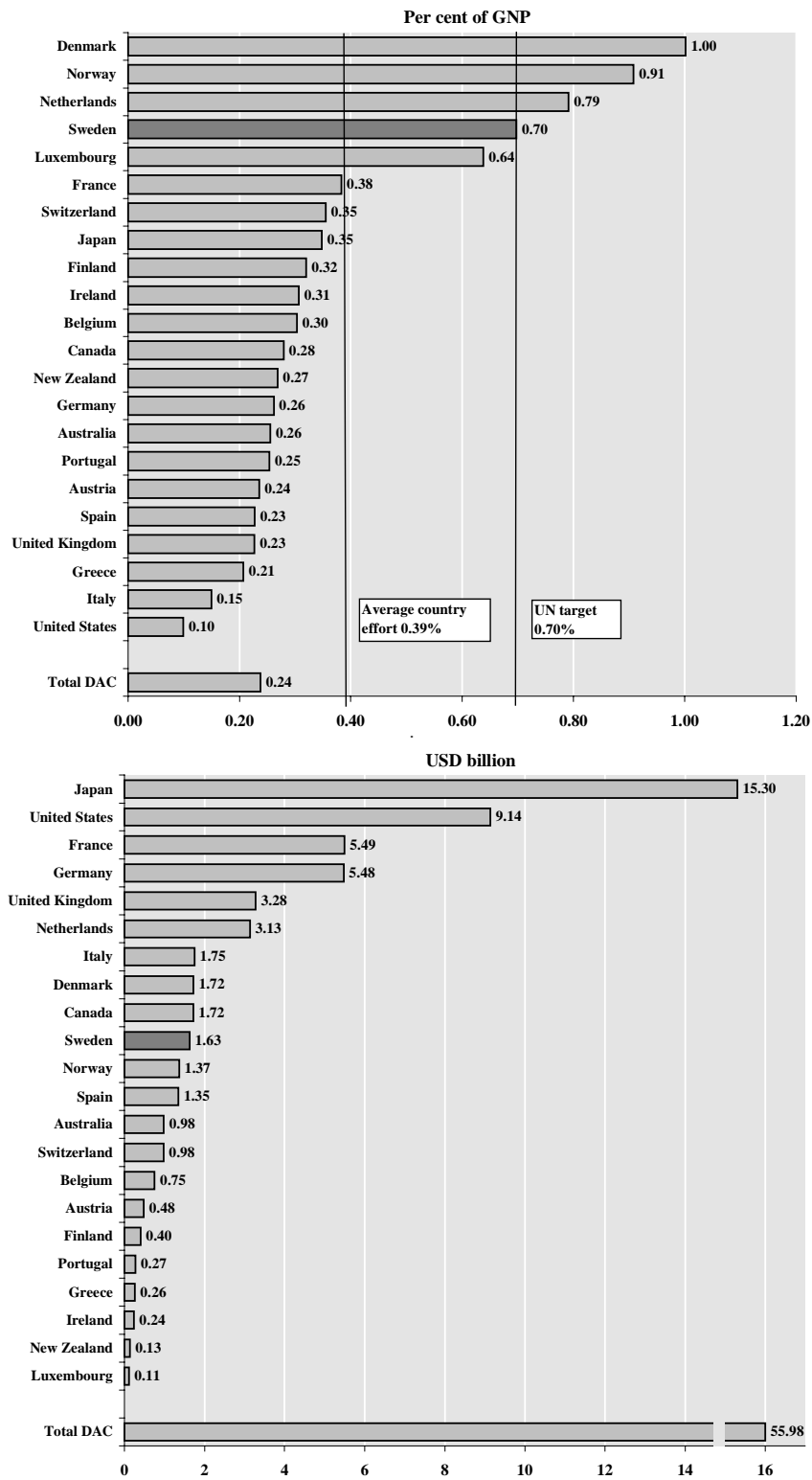
	Official development assistance			Grant element of ODA (commitments) 1998  % ( a )	Share of multilateral aid  1998				ODA to LLDCs Bilateral and through multilateral agencies 1998		Official aid  1998	
	1998		92-93 to 97-98 Ave. annual % change in real terms		% of ODA		% of GNP		% of ODA	% of GNP	USD million	% of GNP
	USD million	% of GNP			( b )	( c )	( b )	( c )				
Australia	960	0.27	-0.2	100.0	21.7	0.06			16.5	0.04	1	0.00
Austria	456	0.22	-2.5	93.6	36.0	18.4	0.08	0.04	18.9	0.04	191	0.09
Belgium	883	0.35	-0.6	99.6	39.2	17.1	0.14	0.06	27.5	0.10	68	0.03
Canada	1 691	0.29	-3.9	100.0	28.6		0.08		20.0	0.06	157	0.03
Denmark	1 704	0.99	3.8	100.0	40.5	34.0	0.40	0.34	32.5	0.32	118	0.07
Finland	396	0.32	-5.7	99.8	47.3	30.9	0.15	0.10	26.4	0.08	82	0.07
France	5 742	0.40	-5.9	92.2	27.1	13.5	0.11	0.05	17.5	0.07	823	0.06
Germany	5 581	0.26	-4.7	97.2	37.5	15.3	0.10	0.04	20.9	0.05	654	0.03
Greece	179	0.15	..	..	64.7	14.3	0.10	0.02	3.8	0.01	15	0.01
Ireland	199	0.30	18.5	100.0	37.8	13.1	0.11	0.04	45.6	0.14	-	-
Italy	2 278	0.20	-12.6	99.8	69.4	38.4	0.14	0.07	35.8	0.07	243	0.02
Japan	10 640	0.28	-0.8	81.3	19.6		0.05		14.6	0.04	132	0.00
Luxembourg	112	0.65	17.9	100.0	31.3	14.4	0.20	0.09	26.0	0.17	3	0.02
Netherlands	3 042	0.80	2.4	100.0	29.9	19.8	0.24	0.16	26.4	0.21	130	0.03
New Zealand	130	0.27	3.9	100.0	24.3		0.06		21.1	0.06	0	0.00
Norway	1 321	0.91	2.7	99.6	28.1		0.26		37.3	0.34	52	0.04
Portugal	259	0.24	-1.1	96.9	31.8	8.8	0.08	0.02	54.5	0.13	22	0.02
Spain	1 376	0.24	0.2	90.3	39.1	12.2	0.10	0.03	9.1	0.02	5	0.00
<b>Sweden</b>	<b>1 573</b>	<b>0.72</b>	<b>-3.8</b>	<b>100.0</b>	<b>33.8</b>	<b>27.7</b>	<b>0.24</b>	<b>0.20</b>	<b>28.4</b>	<b>0.20</b>	<b>105</b>	<b>0.05</b>
Switzerland	898	0.32	-2.0	100.0	29.5		0.09		29.3	0.09	76	0.03
United Kingdom	3 864	0.27	0.5	100.0	44.8	23.2	0.12	0.06	25.8	0.07	435	0.03
United States	8 786	0.10	-8.3	99.2	31.8		0.03		15.2	0.02	2 726	0.03
<b>Total DAC</b>	<b>52 068</b>	<b>0.23</b>	<b>-3.6</b>	<b>93.5</b>	<b>32.4</b>	<b>22.8</b>	<b>0.08</b>	<b>0.05</b>	<b>20.7</b>	<b>0.05</b>	<b>6 040</b>	<b>0.03</b>
Memo: Average country effort		0.39										

*Notes:*

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

Source: OECD.

Figure I.1. Net ODA from DAC countries in 1999



Source: OECD.

## ANNEX II

## DAC COUNTRIES' BILATERAL ODA TO BASIC SOCIAL SERVICES 1997-98

two-year average, USD million

	Basic Education	Basic Health	Population Programmes	Water supply & sanitation – small systems	Water supply & sanitation – large systems, poverty marked	TOTAL BSS	TOTAL BSS as a % of total sector allocable ODA
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Australia	35.1	29.2	9.8	0.9	..	75.1	14%
Austria	1.6	5.7	0.0	6.9	4.1	18.3	8%
Belgium	2.3	25.1	3.7	3.9	..	35.0	12%
Canada (1)	9.2	7.4	16.6	0.5	3.1	36.9	6%
Denmark	10.6	6.6	1.5	13.0	..	31.6	6%
Finland	8.5	1.2	1.1	1.2	..	11.9	7%
France (2)	..	..	..	..	..	..	..
Germany	119.6	109.4	89.3	177.8	..	496.0	14%
Ireland (3)	15.9	12.4	0.0	..	..	28.2	35%
Italy	0.1	9.3	0.4	5.0	..	14.7	7%
Japan (4)	172.3	86.1	7.8	53.8	47.3	367.3	3%
Luxembourg	5.9	9.4	0.0	..	..	15.3	27%
Netherlands	58.3	54.8	25.7	30.1	9.6	178.5	17%
New Zealand	5.6	0.0	0.0	..	..	5.6	9%
Norway	19.1	11.5	10.2	0.0	..	40.8	10%
Portugal	0.6	1.1	0.2	..	..	1.9	5%
Spain	10.5	54.1	3.0	9.5	..	77.2	12%
<b>Sweden</b>	<b>43.1</b>	<b>23.5</b>	<b>30.8</b>	<b>0.3</b>	<b>3.9</b>	<b>101.8</b>	<b>15%</b>
Switzerland	12.1	9.5	1.1	3.8	12.5	39.0	13%
United Kingdom	101.7	79.7	75.2	15.3	5.1	277.1	24%
United States	71.2	94.3	570.3	0.1	..	735.9	20%
<b>TOTAL DAC</b>	<b>703.3</b>	<b>630.4</b>	<b>846.8</b>	<b>322.1</b>	<b>85.7</b>	<b>2588.2</b>	<b>10%</b>

1. **Canada** has stated that pending the introduction of multiple sector coding in CIDA's project management system, data on aid to BSS derived using the sectoral approach will greatly underestimate its efforts. For its internal purposes, Canada monitors "aid to basic human needs" which represents about 30% of Canada's total ODA. This data cannot be sufficiently disaggregated to estimate aid to BSS.
2. The reporting systems of **France** do not enable distinguishing basic from other social services.
3. **Ireland** has not reported aid to BSS in CRS or the DAC but provided separate estimates for this report.
4. Data for **Japan** exclude technical co-operation. **Greece** became a Member of the DAC in 1999.

Source: CRS and DAC data.