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DAC AID REVIEW ON SWEDEN

The Development Assistance Committee (DAC) of the OECD met on 2nd March 1990 under the chairmanship of Mr. Joseph Wheeler to review the development assistance efforts and policies of Sweden. The Swedish Delegation was led by Mrs. G.B. Andersson, Assistant Under-Secretary, Department for International Development Co-operation, Ministry for Foreign Affairs. The examining countries were Denmark and Germany.

The Committee noted with appreciation Sweden's outstanding aid performance. Since fiscal year 1975/76 there has been a political commitment to appropriate 1 per cent of GNP for international development assistance. During the more recent past, actual disbursements of official development assistance (ODA) have fluctuated between 0.80 and 0.90 per cent of GNP. In 1988 they remained virtually unchanged in real terms at \$1 529 million (SKr 9 370 million); as a share of GNP the ODA volume declined marginally from 0.88 per cent in 1987 to 0.87 per cent in 1988. The Committee noted that the persistent underspending of budgetary resources has led to the accumulation of a considerable pipeline of undisbursed budget funds.

The Committee noted that a programme of development co-operation with Eastern Europe was presented in the Swedish Aid Bill for FY 1990/91. A total of SKr 1 billion (some \$165 million at the 1988 exchange rate) will be committed for these activities over the coming three-year period. SKr 900 million is to be financed out of the aid budget by drawing partly on the pipeline of undisbursed funds..••

The Committee welcomed a number of qualitative aspects of the Swedish aid programme: the high concessionality of Swedish aid terms; the large proportion of untied aid; concentration on least developed and other low-income countries. Environmental considerations receive increased attention and the protection of the environment was added in 1988 as a fifth objective to the existing four principal objectives for Swedish development co-operation. Disbursements for environmental projects have increased and new procedures to integrate environmental concerns into all projects are being introduced. Sweden continues to be a strong supporter of the multilateral institutions and about one-third of the total programme was channelled through multilateral organisations in 1987-88.

The Committee welcomed Sweden's increasing efforts to support the structural adjustment programmes of its main partner countries and to co-ordinate its efforts with other donors. Aid efforts in favour of Sub-Saharan Africa are to be further intensified and guidelines for Swedish development co-operation with this region in the 1990s were adopted by Parliament in 1989. Priority is to be given to economic growth, improved management of natural resources, strengthened social programmes, rehabilitation of existing infrastructure and institution-building. Quickly disbursing commodity assistance for balance of payments support is considered as an essential element in supporting the implementation of structural adjustment policies in a growing number of African countries. An increasing share of it is directly linked to the financing of IMF/World Bank co-ordinated macro and sectoral adjustment programmes. As for the remaining portion, its linkage with structural adjustment programmes is being strengthened.

The Swedish authorities recognise that the increasing importance of policy-related assistance in their programme has important implications for aid management and staffing, requiring in particular an enhanced capacity for country and sector specific analysis on the part of the aid administration. The Committee was informed that after a review, a process of change in the relationship between Sweden and its major aid recipients had been introduced. A new style of aid management is aimed at, whereby the recipient country would, within broad agreement on programme orientation and objectives, be, as much as possible, in charge of project and programme implementation. This would free Swedish aid staff, which are in short supply, to concentrate more on economic and sectoral analysis, appraisal, monitoring and evaluation. To facilitate for the recipients to assume this responsibility, technical assistance is focussed on institutional development. The Committee welcomed in principle this change

in donor-recipient relations as a medium-term objective, noting that a more general approach among donors would be required to achieve success. It noted also that it was important to have reasonable assurance that Swedish aid recipients have the necessary management capacity to assume these tasks. It welcomed the high priority which Sweden accords to institution- building and emphasised the long-term nature of this task. The Committee also urged Sweden to strengthen staff support for the new emphasis on environment and for the closely related priority for population.