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## Sida-funded inter-agency cooperation

– good prospects for aid effectiveness?

## Summary

### Background and purpose

Swedish public agencies play an important part in implementing Sweden's international development cooperation. By sharing their knowledge and experience of central government activities, Swedish public-sector actors are to help strengthen the institutional capacity of partner countries' central government administration. Audits and evaluations have shown shortcomings in this area. Therefore, the Riksdag and Government have implemented a number of changes and clarifications in the regulations governing inter-agency cooperation in recent years. The purpose of this report is to audit the inter-agency cooperation funded by Sida. The Swedish NAO addresses issues concerning the framework for aid effectiveness in terms of ownership and donor coordination, as well as compliance with regard to pricing and selection of expert agencies as implementers of development cooperation. The audit includes Swedish inter-agency cooperation in three countries: Georgia, Kenya and Serbia, in the period 2013–2015. The Swedish NAO's criteria for assessment are based on regulations and policy documents approved by the Riksdag and Government.

## Audit findings

The audit shows that Sida and the Swedish expert agencies have created relatively good prerequisites for aid effectiveness, as well as that compliance in general is good in the audited contributions. However, there are aspects of Swedish inter-agency cooperation that could be improved.

### Large variations in hourly rates between agencies

The Swedish NAO notes that the expert agencies included in the audit have achieved the target of full cost coverage, which means that the fees levied by the expert agencies for their services cover the costs of their activities. However, there are considerable variations in the hourly rates charged by the expert agencies for their input. These variations cannot be fully explained by salary differences between the expert agencies, but may nevertheless be justified as they, for instance, can be due to differences in overhead costs. The Swedish NAO has not found any indications that the differences in hourly rates are due to incorrect pricing. On the other hand, it is not clear whether the expert agencies comply with the regulatory requirement of sound management of public funds.

The National Financial Management Authority and Sida both have the task of regularly verifying the hourly rates of the expert agencies. The audit shows that these verifications have taken place in most cases, but they have not covered the issue of sound financial management. The role of the National Financial Management Authority does not include examining the hourly rates of the expert agencies in terms of sound financial management. The National Financial Management Authority is only to ensure that the hourly rates are set so that the financial target of full cost coverage can be achieved. Sida has not analysed why there are large differences between the expert agencies respective hourly rate levels. Instead, Sida was content to note that the hourly rates were verified with the National Financial Management Authority. In this respect Sida has not ensured compliance with the sound management of public funds requirements, but has assumed that the expert agencies have observed these requirements when setting their hourly rates.

The Swedish NAO notes that it is up to each expert agency to ensure that their hourly rates are justified. Therefore, there may be a risk of non-compliance with the requirements of the Budget Act concerning sound financial management in the expert agencies' pricing of the audited initiatives. The Swedish NAO also notes that long experience of international cooperation seems to equip the expert agencies better in pricing their services correctly in relation to the full cost coverage target.

## Relatively good framework for ownership and coordination

Furthermore, the audit shows that Sida and the expert agencies have created a relatively good framework for aid effectiveness as regards ownership and coordination. The Swedish NAO finds that Sida and the expert agencies have made it possible for partner agencies to have ownership of the initiatives. The Swedish NAO also notes that long-term partnerships seem to provide a better framework for strengthening the ownership of partner agencies.

In most cases, the expert agencies have also coordinated their work with other donors. Sida has assisted the expert agencies with this, for instance by mapping other relevant development actors in partner countries, and creating platforms for meetings between expert agencies in Sweden.

## Correct choice of provider, but deficiencies in documentation

As regards Sida's choice of expert agencies as implementers of development cooperation the audit shows that this has been done in accordance with the Government's guidelines on central government exports of services. However, the Swedish NAO observes that in some cases Sida has not fulfilled the requirements regarding documenting the assessments that must be made by the respective expert agency's unique skills in relation to each individual initiative. In its decisions on contributions Sida could have made reference to assessments already made of the unique skills, in cases where this has been done, for example in connection with signing a framework agreement.

The Swedish NAO finds that, even if an assessment is correct in itself, for the sake of traceability a decision on contribution must show the grounds on which the decision was made. The Swedish NAO sees this as a condition for quality of decision-making, since a lack of documentation may entail risks of incorrect processing.

## Potential for improvement

The audit shows that there is a relatively good framework for Sida-funded inter-agency cooperation to strengthen the partner agencies' institutional capacity. However, the audit also shows that there is potential for making the support more effective. A summation of potential improvements identified by the Swedish NAO shows the following:

- It can be ensured that the hourly rates charged by the expert agencies for their international cooperation contributions are characterised by sound financial management. Specific guidelines could simplify the expert agencies' pricing and make it more transparent.
- Sida and the expert agencies can to a greater extent make sure that it is the cooperation partner that sets the agenda for cooperation.
- Coordination between Swedish expert agencies that are active in a specific partner country can be improved.
- Increased administrative support to expert agencies with less experience of international development cooperation may give them a better framework for correct pricing in relation to the financial target of full cost coverage.
- Improve documentation of initiatives, not least as regards briefing material for decisions on contribution regarding selection of expert agencies as implementers of development cooperation.