



RIKSREVISIONEN

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Sida's support for capacity development in the public administration of partner countries

Riksrevisionen (the Swedish National Audit Office, SNAO) is one of the bodies charged with exercising the powers of scrutiny vested in the Riksdag (parliament). Our task is to audit central-government administration so as to contribute to the economical use of resources and to effective and efficient administration. One important role of the SNAO is to ensure democratic transparency, i.e. provide citizens with the opportunity to see how democratic decisions are made and implemented, how their tax money is used, and whether public administration follows directives, rules and regulations and achieves the objectives set for it. The Riksdag and the Government are the most important target group for the findings from our audits. The audits are used to support decisions, for purposes of accountability and informed public discussion.

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To the Government
Ministry for Foreign Affairs

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Sida's support for capacity development in the public administration of partner countries

The Swedish National Audit Office (SNAO) has audited the Swedish International Development Cooperation Agency's (Sida) contribution management and the Government's management of support for capacity development in the public administration of partner countries. The findings are presented in this performance audit report.

Representatives of both the Government Offices and Sida have reviewed the material and presented their opinions on a draft version of the report.

The report will be submitted to the Government in accordance with Section 9 of the Auditing of State Activities, etc, Act (2002:1022). The report will also be submitted to the SNAO Board.

The report contains findings and recommendations for Sida and the Government. The SNAO will follow up the audit.

Claes Norgren, Auditor General, has the right of decision in this matter. *Charlotta Edholm*, Audit Director, was responsible for the presentation of the report. *Hans Folkesson*, Deputy Director, and *Matilda Hultgren*, Audit Director, have assisted in the preparation of the final audit report.

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Summary

Capacity development is the core function of Swedish development cooperation

Inadequate capacity in a country's public administration is a fundamental obstacle to development and poverty reduction. This is manifested in the Paris Declaration on Aid Effectiveness, which underscores the importance of focusing on capacity development in order to achieve the UN's Millennium Goal of halving poverty by 2015.

The Paris Declaration has been signed by around one hundred donor and recipient countries. According to the Paris Declaration, aid will become more effective if partner countries lead their own development agendas, donor countries align their support with partner country systems, and aid delivery is harmonised.

The Swedish Riksdag has stated that the core function of development cooperation is to promote increased knowledge and institution-building in countries that receive Swedish aid. An increasing proportion of aid that is delivered in programmes and more general forms such as budget support underlines the significance of effective support for capacity development in partner countries, especially for improving public administration. Supporting capacity development is therefore a central task for Sida.

In this report, the SNAO examines:

- the Government's management of support for capacity development in the public administration of partner countries
- how Sida's contribution management complies with internationally accepted principles for supporting capacity development.

The starting point for the audit has been the Paris Declaration's commitments and the internationally accepted principles for capacity development support developed by the OECD's Development Assistance Committee (OECD/DAC).

The SNAO has audited the Government's cooperation strategies for eleven countries that receive sector programme support and that received a combined SEK 3.8 billion from Sweden during 2008. The SNAO has also audited Sida's decisions concerning 40 contributions to capacity

development support in partner country systems. These contributions are divided into five case study countries and have a combined volume of approximately SEK 2 billion.

Sida makes incomplete assessments of preconditions for capacity development

The SNAO's audit of Sida's contributions to capacity development support is based on the OECD/DAC's guidelines for good practice.

The audit shows that although Sida has good knowledge of capacity development, this knowledge is not adequately utilised when designing support contributions. The SNAO has found it difficult to determine whether Sida has chosen to fund the right projects or programmes, and whether the contributions that Sida supports are relevant for building sustainable capacity due to the incompleteness of Sida's proposals for capacity development support on a number of points.

Sida rarely assesses existing capacity

Sida rarely assesses a partner organisation's existing capacity in terms of strengths and weaknesses. Neither does Sida adequately assess the driving forces and obstacles to development within the organisation's enabling environment.

And it is not possible to determine the extent to which Swedish support constitutes relevant and complementary support, or whether it is delivered parallel to support from other donors and as such should be avoided.

The contributions often lack clear and realistic goals

Partner influence on the design of the contribution is essential for securing strong ownership and sustainable results. The ownership issue is often poorly analysed in Sida's proposals, and determining whether the partner organisation has influenced the design of the support is impossible in more than three-quarters of the contributions. As such, there is a risk that support is controlled by what the donor has to offer rather than partner country needs.

Sida's proposals have weaknesses in regard to securing clear and realistic goals for the contributions. The SNAO has found that Sida only makes an explicit assessment of whether the established goals are realistic in 2 of the 40 contributions. The SNAO has also found that none of the audited contributions contain a phase-out strategy for when the results are achieved and support is no longer needed.

Sida's proposals give inadequate information about how capacity development will be achieved. The SNAO has observed that only one quarter of the audited proposals contains an assessment of whether the activities that are to be implemented are relevant for achieving the desired goals.

Sida's strategy for making a transition to increased sector programme support with adequate institutional partner capacity is unclear

The Government states clearly that Sida will increase the proportion of sector programme support, and support that uses partner country systems. The SNAO has found in its audit that Sida often lacks a clear strategy for how the transition from project support to sector programme support will take place. Sida makes different assessments of the same sector in countries with similar preconditions. The absence of systematic assessments makes it difficult to see how Sida arrived at these conclusions.

The SNAO has also found that Sida focuses too much on forms of support rather than assessing the content and implementation. A too rapid transition to sector programme support that is not combined with necessary capacity development support could place too much responsibility on inadequately equipped partner organisations. This could lead to an increased risk for mismanagement and corruption.

Learning at risk because of weaknesses in the evaluation process

The SNAO has found that 4 of the 40 audited contributions had evaluation processes where independence could be questioned. The SNAO has also found that Sida does not quality assure its project evaluations on a regular basis. The SNAO suggests that Sida secures an institutional learning environment, where lessons learned from individual efforts are utilised.

Sida has weak control signals in capacity development issues

The SNAO's audit shows that Sida's proposals for capacity development support have a number of weaknesses. These weaknesses can partly be explained by the fact that Sida has too many and overlapping governance and guidance documents in the field of capacity development, which makes it difficult for individual Sida programme officers to know what should be prioritised in the proposals.

Like many other aid agencies, Sida's definition of capacity and capacity development is complex and not adequately operationalised. Sida's manual for capacity development support also lacks specification in relation to

methods and how monitoring should be implemented. Sida's policy and capacity development manual do not therefore give clear control signals.

The SNAO has found that Sida's proposals are not consistent with the OECD/DAC reference document on capacity development support that builds upon the principles of the Paris Declaration on Aid Effectiveness.

These principles are well known and internationally accepted. Sida is responsible for running its operations effectively. Sida should therefore have already adapted its assessments to these internationally accepted guidelines. This applies irrespective of the fact that the Government did not introduce the Paris Declaration into Sida's instructions and letter of appropriation until 2009.

Conflict of aims between the Paris Declaration and using Swedish government agencies

The SNAO has also found that Sida's current form of cooperation with Swedish government agencies (Följsamöverenskommelsen), which stipulates that resources must be channelled via the Swedish government agency, is not consistent with the Paris Declaration and obstructs the transition to Programme-based Approaches.

The SNAO has observed a conflict between how Swedish government agencies are engaged by Sida in development cooperation and the Paris Declaration's commitment to untied aid. But the Government has not clarified to Sida how Sida should behave towards Swedish government agencies as implementing actors in partner countries where Sweden conducts long-term programme cooperation.

The SNAO's recommendations for Sida

- The SNAO recommends that Sida uses its assessment memos as proposals, where Sida accounts for the relevant risks and advantages, and adopts clear positions.
- The SNAO recommends that Sida establishes minimum requirements in regard to how capacity development is addressed in assessments prior to contribution decisions.
- The SNAO also recommends that Sida simplifies the hierarchy of governing documents as soon as possible by removing overlapping and outdated documents.
- The SNAO recommends that Sida establishes clear rules for handing over contribution responsibility when programme officers change.

The Government's management of the Paris Declaration commitments is disparate

The Government's cooperation strategies do not give Sida sufficient guidance on several points that the SNAO considers essential for Sida's implementation of capacity development efforts. The SNAO has found in its audit that the Government has updated its guidelines for cooperation strategies, but suggests that these are clarified on a number of key points such as capacity development support, the role that Swedish government agencies will play in the context, and the assessments that are required for sector programme support.

Neither has the Government integrated the objectives of the Paris Declaration into its directions for Sida in a consistent manner. In both letters of appropriation and cooperation strategies, requirements have been far too general. The Government did not formally clarify the significance of the Paris Declaration to Sida until 2009 when it was incorporated into Sida's instructions. And the Government did not specify goals for aid effectiveness until Sida's appropriation letter for 2009. The requirements in these instructions and letter of appropriation were then specified to Sida by the Ministry for Foreign Affairs in a document of which the status is unclear. The SNAO has also found that the Government has not made sufficiently consistent use of the instruments at its disposal to direct Sida towards the objectives of the Paris Declaration.

The SNAO can also confirm that the Government, in its reporting to the Riksdag on the Paris Declaration, used monitoring information of doubtful quality without making this clear to the Riksdag.

The SNAO has found that the Government's cooperation strategies do not always contain a clear linkage between country context and the assessments that are made in the cooperation strategies. The Government makes assessments at sector level in some cases, but not others. There are often no links between increased use of sector programme support, and assessments of the capacity development support that may be needed. The SNAO suggests that the Government formulates its cooperation strategies more precisely and gives clearer instructions to Sida regarding the considerations that must be made concerning how various aid modalities and financing channels must be used.

The SNAO has found that the Government has still not made decisions regarding new cooperation strategies for three of the countries in the audit. Two of these countries (Mali and Burkina Faso) are budget support countries for which the SNAO has already highlighted the need for Government decisions regarding new cooperation strategies.

The SNAO's recommendations for the Government

- The SNAO recommends that the Government develops guidelines for cooperation strategies in relation to support for capacity development in the public administration of partner countries. Requirements concerning the assessments that are needed for using partner country systems should also be more consistent.
- The SNAO recommends that the Government makes an immediate decision regarding cooperation strategies for those countries for which there are no cooperation strategies at present.
- The SNAO recommends that the Government develops its management of Sida in relation to the Paris Declaration by ensuring that its control instruments are used effectively.
- The SNAO recommends that the Government initiates an independent report of lessons learned from development cooperation through Swedish government agencies, with a special focus on how these efforts may obstruct implementation of the Paris Declaration.

1 Introduction

1.1 Background and audit objectives

Inadequate capacity in a country's public administration is a fundamental obstacle to development and poverty reduction. This is manifested in the Paris Declaration¹, which underscores the importance of focusing on capacity development in order to achieve the UN Millennium Development Goal of halving poverty by 2015. The Riksdag has stated that the core function of development cooperation is to promote increased knowledge and institution building in countries that receive Swedish aid.² Supporting capacity development is therefore a central task for Sida, which has identified capacity development as a strategic approach for its development efforts.³

Aid that focuses solely on the rapid production of public services in partner countries, i.e. ensuring that all people receive basic healthcare or that all children go to school, runs the risk of creating long-term aid dependency. Experience shows that one of the preconditions for creating sustainable results is that aid promotes capacity development in the public administration of partner countries.⁴ At the same time, no amount of donor resources will help if the partners are not capable of leading the changes that are required. Careful assessment of the preconditions is therefore required before decisions are made concerning contributions that aim to support capacity development.

In an earlier audit of how Sida handled budget support⁵, the SNAO highlighted weaknesses in Sida's analyses of capacity in partner countries' public financial management systems. These systems are crucial for implementing poverty reduction strategies, but also for monitoring budget support. Among other things, the SNAO criticised the fact that Sida's analyses were not carried out systematically and that identified weaknesses were not linked clearly to necessary measures.

¹ Paris Declaration on Aid Effectiveness, OECD High Level Forum on Aid Effectiveness, 2005. The Paris Declaration is the most important international agreement in the field of aid management. The agreement has been signed by around one hundred donor and partner countries.

² Report 2003/04:UU3, p. 110.

³ Sida at Work – A Guide to Principles, Procedures and Working Methods, Sida, 2005, p. 52. See also Manual for Capacity Development, Methods Document, October 2005, p. 1.

⁴ The Challenge of Capacity Development: Working towards Good Practice, DAC Network on Good Governance, 2006, p. 11, note 5 refers to a number of studies.

⁵ RiR 2007:31 Aid through budget support – The Government's and Sida's handling of a key type of development aid, Rikskommittén, 2007.

The Paris Declaration stipulates that donors must increasingly channel their aid via partner countries' local systems. An increasing proportion of the aid delivered in programmes and more general forms such as budget support⁶ underlines the significance of effective capacity development support in partner countries, especially public administration.

The SNAO's pre-study also showed that Sida's evaluations have not generated systematised knowledge of capacity development support, and that Sida's policy for capacity development support is rarely applied.

For these reasons, the SNAO has audited the Government's management of support for capacity development in the public administration of partner countries. The SNAO has also examined how Sida's contribution management reflects internationally accepted principles ("good practice") for capacity development support.

1.2 Audit question and scope

1.2.1 *The purpose of the audit and audit question*

The SNAO's audit aims to determine the extent to which Sida's management of capacity development support creates preconditions for support that is relevant for strengthening the public administration of partner countries. The audit also aims to determine whether the Government's management has enabled Sida to fulfil its task. The audit question is: Does Sida provide relevant support for capacity development in the public administration of partner countries?

The SNAO has chosen to focus on whether Sida's capacity development support enables effective and increased use of sector programme support, consistent with the principles of the Paris Declaration.

⁶ Sector programme support is a framework for broader support to a national strategy for poverty reduction (general budget support), or to a sector-specific strategy (sector support). Sector programme support can also be given to an organisation, known as "core support". The term "Programme-based Approaches" (PBAs) is used internationally. Sida previously applied a narrower definition, but adopted the international definition (OECD/DAC) on 2008-11-04. In this report, the SNAO uses the terms "sector programme support" and "Programme-based Approaches" synonymously, unless otherwise indicated. Appendix 4 contains an explanation of sector programme support.

1.2.2 *Assessment criteria*

The SNAO's relevance assessments proceed from the Riksdag and the Government's statements on aid policy.⁷ The Riksdag and the Government have committed to the principles of the Paris Declaration on Aid Effectiveness.⁸ This declaration, which aims to enhance aid effectiveness, thereby provides a standard for reviewing the performances of Sida and the Government. Another starting point for the audit is the European Consensus, a statement on EU development policy.⁹

The principles for good practice in capacity development support have been formulated by the OECD/DAC.¹⁰ On some points, the SNAO has supplemented the OECD/DAC reference document with the guidance for technical assistance (in the context of capacity development support)¹¹ that the European Commission produced as a result of the European Court of Auditors' (ECA) performance audit¹².

The SNAO's audit also proceeds from the criteria for effective governance as set out in the Government Agencies Ordinance (2007:515)¹³.

1.2.3 *Audited government agencies*

The audited government agencies are primarily Sida and the Government. At the request of Sida, the government agencies Statistics Sweden (SCB), the Swedish National Financial Management Authority (ESV), the Swedish National Police Board (RPS) and Lantmäteriet, and the government-owned company Swedesurvey are also involved in some of the audited contributions as implementing actors. As such, they are also affected by this audit.

⁷ Government Bill 2002/03:122, Report 2003/04:UU3, Riks. Comm 2003/04:112.

⁸ Paris Declaration on Aid Effectiveness, OECD High Level Forum on Aid Effectiveness, 2005.

⁹ Joint declaration by the Council and the representatives of governments of the Member States meeting within the Council, the European Parliament and the Commission on the development policy of the European Union entitled "European Consensus", adopted by the European Parliament (A6-0319/2005) on 24 October 2005.

¹⁰ The Challenge of Capacity Development: Working towards Good Practice, DAC Network on Good Governance, 2006.

¹¹ EuropeAid, Making Technical Cooperation More Effective, Guidelines no. 3, March 2009.

¹² Special Report no. 6/2007 on the effectiveness of technical assistance in the context of capacity development together with the Commission's replies, European Court of Auditors, 2007-12-21.

¹³ See in particular Sections 3 and 6 of the Agency Administration Ordinance.

1.2.4 *Scope*

This audit focuses on Sida's support for capacity development in the public administration of partner countries. The support was delivered to countries that received sector programme support during the period 2007–2008, and are categorised as long-term partner countries. Resources that are channelled directly via other government agencies or bodies such as Swedfund have been excluded.

The audit also focuses on bilateral aid, which is managed via cooperation strategies. This means that input for capacity development via "global programmes"¹⁴ is not included. Neither is aid delivered via individual organisations over a particular appropriation item included, as this is controlled by a separate regulatory framework. This also applies for research support.

Concerning contributions from Swedish government agencies for capacity development support in partner countries, only the proportion that is financed via Sida is included. All other government support for service exports is excluded from the audit.

1.3 **Implementation and method**

The audit has been carried out by studying documents, interviewing key people and making field visits. Current cooperation strategies have been analysed for eleven countries that Sweden has prioritised for long-term cooperation, and that have received sector programme support. Individual contributions have been audited in five case study countries. A total of forty contributions have been audited.

1.3.1 *Selection of countries*

The SNAO's audit focuses on the countries that received sector programme support during 2007 and 2008, and that have been identified by the Government as countries where Sweden will conduct long-term cooperation. The countries concerned currently receive or may be considered for budget support. Other countries that have received sector programme support during 2007 and 2008 according to Sida's statistics were either post-conflict

¹⁴ The purpose of the "global programmes" proportion of the allocation is more indirect than bilateral country-to-country aid. For example, Sweden can assist by sending experts to various international bodies, which can in turn create preconditions for promoting capacity development at a more local level.

or conflict countries¹⁵, or countries that, according to the Government's country focus decision, are to be phased out.¹⁶ General budget support is not therefore relevant in these countries.

The total population comprises the following eleven countries (the original validity period of the current cooperation strategy is given in brackets)¹⁷:

Bolivia	(2009–2013)
Burkina Faso	(2004–2006)
Mali	(2004–2006)
Rwanda	(November 2004–December 2008)
Tanzania	(2006–2010)
Cambodia	(January 2008–December 2010)
Zambia	(July 2008–December 2011)
Bangladesh	(January 2008–December 2012)
Mozambique	(September 2008–December 2012)
Kenya	(January 2009–December 2013)
Uganda	(March 2009–December 2013).

The SNAO has made a qualitative selection of five of these countries for case studies based on the following criteria:

- total funds disbursed for sector programme support, and sector programme support as a percentage of the total funds disbursed
- Sweden's size as a donor compared to other donors
- geographic distribution

The above factors were weighed and the final selection of case study countries was then agreed upon together with Sida's Department for Methodologies and Effectiveness.

¹⁵ Even though contributions to these countries were categorised as sector programme support in Sida's former statistical system, the contributions were channelled through trust funds rather than partner country systems, often via a UN body or the World Bank. Ethiopia belongs to the category of countries for long-term cooperation, but constitutes an exception because the country only received sector programme support to a marginal extent in 2007.

¹⁶ Focus of Swedish development cooperation, Government decision (UD2007/38505/USTYR), 2007-10-18.

¹⁷ The cooperation strategies for Burkina Faso, Mali and Rwanda were extended until December 2009 in a Government decision (UD2008/25122/USTYR), 2008-07-24.

The countries that were selected for the case studies were Mozambique, Cambodia, Bolivia, Rwanda and Zambia. Of these countries, Mozambique and Zambia receive budget support. Rwanda also received budget support earlier.¹⁸ According to the cooperation strategies, budget support is a possible option for Cambodia¹⁹ and Bolivia²⁰ and will be investigated.

1.3.2 *Selection of contributions*

The selection of contributions for review in the case study countries is based on the areas defined in the Paris Declaration: public financial management, procurement, statistics and results-based management. The SNAO has also chosen to include contributions to general public sector reforms both large institutional reforms and more restricted support, such as local administration. We have also included sector programme support to sectors that are considered key to reducing poverty, such as health, education, water and sanitation. The individual contributions have been selected from contributions where funds were disbursed during 2007 or 2008. The contribution selection in each country has been checked with Sida's country teams.

1.3.3 *Audited contribution documentation*

The audited contribution documentation included Sida's proposals for support and results reports. The SNAO has paid particular attention to Sida's assessment memos prior to support decisions. The audit also included project documentation, agreements, results reports and evaluations.²¹ The SNAO has also audited Sida's governing documents for capacity development support.

¹⁸ The budget support to Rwanda was stopped due to Rwanda's military involvement in the ongoing conflict in the Democratic Republic of Congo. Press release, Ministry for Foreign Affairs, 2008-12-17. On 7 May 2009, in an amendment to the task of preparing a proposal for a cooperation strategy for Rwanda, the Government decided that neither budget support nor sector budget support would apply for a new cooperation strategy period with Rwanda.

¹⁹ Cooperation strategy for Cambodia 2008–2010, p. 5.

²⁰ Budget support can be considered during the period. Cooperation strategy for Bolivia 2009-2013, p. 19.

²¹ See Appendix 5 for orders of the contribution documentation.

The audit has proceeded from an analysis guide that is presented in Appendix 3. The analysis guide is based on the OECD/DAC reference document for capacity development support.²² The SNAO has audited Sida's proposals in relation to the OECD/DAC reference document and based on the results, assessed whether Sida's management of support for capacity development creates preconditions for support that is relevant for strengthening the public administration of partner countries.

Cambodia, Mozambique and Zambia have been visited and interviews have been conducted with Sida's managers and programme officers, Representatives of partner organisations, other donors and in some cases the implementing actors engaged by Sida. For the other two case study countries, telephone interviews have been conducted with Sida's country managers.

Observations from the document reviews and field visits have then been compiled and discussed in conjunction with interviews at Sida and the Ministry for Foreign Affairs.²³ A total of 130 interviews have taken place.

The audit has been carried out by a project group, comprising Charlotta Edholm (project manager), Matilda Hultgren, Anna Krohwinkel-Karlsson and Tina Johansson.

1.4 Structure of the report

Chapter 2 presents some of the starting points for the audit, such as international agreements and Riksdag statements. The following chapter deals with Government's management. Observations from the audited contribution documentation and field visits are presented in next chapter. The report concludes with the SNAO's findings and recommendations. The appendices to the report include a list of people who were interviewed for the audit, a presentation of audited contributions, the SNAO's analysis guide, the OECD/DAC's definition of sector programme support, a list of references for the audited contributions, and the SNAO's orders of contribution documentation from Sida.

²² The Challenge of Capacity Development: Working towards Good Practice, DAC Network on Good Governance, 2006.

²³ For a list of all interviewees, see Appendix 1.

2 Starting points for capacity development support

This chapter contains a brief outline of what capacity development support in partner countries entails in practice. The objectives and focus of Swedish development cooperation are also presented, based on the Riksdag's statements. The chapter also contains a description of the most important international agreement in aid management, the Paris Declaration, and a description of EU collaboration in the field of development cooperation.

2.1 What is capacity development support?

Capacity development support in partner countries can take several forms. It can range from general, non-earmarked financial aid for developing an organisation based on its strategic plans, to technical expertise in the form of advisors. The concept can also include support for public administration or individual actors such as voluntary organisations and advocacy groups. Capacity development support can also be part of more extensive sector programme support in health or education, for example.

Capacity development support was formerly based, to a large extent, on the view that knowledge transfer was the answer to capacity problems. Experts were sent to partner countries for shorter or longer periods to provide "technical assistance". Experience has revealed a number of weaknesses in this working practice. It has often entailed "gap filling", i.e. consultants have been used to compensate for inadequate local capacity and knowledge. However, some donors still provide technical assistance.²⁴

When Sida supports projects for developing the capacity of individual authorities in partner countries, the contractor is often a Swedish government agency.²⁵ Sida has a long tradition of engaging Swedish government agencies in projects that aim to develop capacity in institutions with corresponding functions in partner countries. Some Swedish agencies have built up special units for providing expert support. Most of their capacity development assignments in other countries are financed by Sida. The EU also funds these types of assignments.

²⁴ For a brief summary of previous experiences in capacity development and technical assistance see *The Challenge of Capacity Development: Working Towards Good Practice*, DAC Network on Good Governance, 2006, p. 115. See also *The Capacity Development Results Framework – A Strategic and Results-Oriented Approach to Learning for Capacity Development*, Samuel Otoo, et al. The World Bank Institute, June 2009.

²⁵ *Manual for Capacity development, Methods Document*, Sida, October 2005, p. 2.

2.2 Capacity development is the core function of Swedish development cooperation

The overarching goal of Sweden's policy for global development (PGU)²⁶ is "to help create conditions that will enable people to improve their lives". This focus was formulated by the Riksdag in December 2003. This decision establishes that the core function of development cooperation is to promote increased knowledge and institution-building in countries that receive Swedish aid.²⁷ The Riksdag maintains that active ownership is the key to successful development cooperation in partner countries.²⁸ The role of aid is to support national development.²⁹ The design of Swedish policy in individual partner countries, including the choice of forms and channels for cooperation, must be based on a broad analysis of the situation in the country.³⁰

The Riksdag has repeatedly highlighted the importance of Sweden working for greater international harmonisation of aid.³¹ In its decision on the policy for global development, the Riksdag refers to work taking place within the OECD's aid committee, the OECD/DAC,³² aimed at harmonising donor practices.³³ This work resulted in the Paris Declaration in 2005.

The Paris Declaration is an international agreement for increased coordination and aid effectiveness. The Riksdag and the Government are fully committed to the principles of the Paris Declaration and intend to continue aligning aid with partner country priorities, and increasing the results-based approach to contributions aimed at reducing poverty.³⁴

According to the Riksdag, development cooperation on a larger scale should be concentrated to fewer countries. By cooperating with other donors, the number of sectors could also be fewer.³⁵ In the budget bill for 2008, the Government decided to reduce the number of partner countries, which was welcomed by the Standing Committee on Foreign Affairs.³⁶ The Standing Committee on Foreign Affairs also notes that Sweden, via the EU, entered an agreement in 2007 whereby Member States would concentrate their contributions and reduce the fragmentation of aid.³⁷

²⁶ Government Bill 2002/03:122, Report 2003/04:UU3, Riks. Comm 2004/05:4.

²⁷ Report 2003/04:UU3, p. 110.

²⁸ Report 2003/04:UU3, p. 177.

²⁹ Report 2003/04:UU3, p. 28.

³⁰ Report 2003/04:UU3, p. 112.

³¹ Report 2003/04:UU3, p. 20 and e.g. Report 2005/06:UU2, p. 22 and Report 2006/07:UU2, p. 31.

³² OECD's Development Assistance Committee (DAC).

³³ Report 2003/04:UU3, p. 177.

³⁴ Report 2006/07:UU2, p. 31–34. See also Government bill 2005/06:1, exp. area 7, p. 14 and Government comm. 2005/06:204 prep. in 2006/07:UU8, p. 13 and Report 2007/07:UU2, p. 28.

³⁵ Report 2003/04:UU3, p. 110–111.

³⁶ Government Bill 2007/08:1, p. 60–61 and Report 2007/08:UU2, p. 27–28.

³⁷ Report 2007/08:UU2, p. 30–31.

Another objective according to the policy for global development (PGU) is that the whole of Swedish society – government agencies, municipalities, organisations and enterprise – should be more involved in the practical work of implementing the policy for global development.³⁸

2.3 Greater international coordination of aid policy

In 2008, Sweden was the world's eighth-largest bilateral donor, measured in absolute numbers, after the United States, Germany, the United Kingdom, France, Japan, the Netherlands and Spain. In total, aid in 2008 from OECD member countries amounted to USD 120 billion, which is the highest level ever.³⁹ Large multilateral aid actors include the European Commission, the World Bank, UNDP (the United Nations Development Programme) and UNICEF (the UN children's fund).⁴⁰

The OECD's Development Assistance Committee (DAC) coordinates the international donors' reporting on aid and produces guidelines for delivering aid.

The Paris Declaration is the most important international agreement in the field of aid management. The agreement has been signed by around one hundred countries – both donors and beneficiaries. The Paris Declaration presents guidelines for achieving the UN's Millennium Development Goal from 2000 of halving poverty by 2015.

2.3.1 *The Paris Declaration contains measurable outcomes for aid effectiveness*

The Paris Declaration aims to increase aid effectiveness, and the objectives must be achieved by 2010. The results are measured with a set of 12 indicators. While the Paris Declaration's indicators focus on measurable outcomes, the Declaration also contains commitments to improved results-based management. Donor and partner countries reaffirmed their commitments to the Paris Declaration at the Accra High Level Forum in September 2008, when the Accra Agenda for Action was adopted.⁴¹

A central principle of the Paris Declaration is ownership by partner countries. This will be achieved by aligning aid from donor countries with each developing country's own strategies for reducing poverty, and by channelling the aid flow through local systems. Monitoring will also take place through national systems.

³⁸ Report 2003/04:UU3, p. 163.

³⁹ Net Official Development Assistance in 2008, OECD/DAC's website 2009-10-09.

⁴⁰ The Government's website 2009-10-09.

⁴¹ Accra Agenda for Action, OECD High Level Forum on Aid Effectiveness, 2008.

Donor countries will support the partner countries' capacity to lead their own development process. Donors should base the design of their contributions on the partner country's own strategies and goals for developing capacity. The development of public financial management in the partner countries is highlighted. Using these systems will put policies for reducing poverty in the partner countries into practice. This underlines the importance of donor countries supporting the development of institutional capacity in partner countries, especially planning, budgeting and monitoring processes.

One of the Paris Declaration's objectives is that 66 per cent of aid will be delivered in Programme-based Approaches (Indicator 9). Through programme-based aid, donors provide general support for the implementation of strategies in the partner country (or partner organisation), without earmarking the aid flow. The most general form of programme-based aid is budget support, which is channelled directly through the partner country's national budget. Programme-based aid requires coordinated programmes that are consistent with the partner country's own strategies.⁴²

Another objective is measured via Indicator 5. This relates to the donors' use of country systems for public financial management (5a) and procurement (5b) for country-to-country support. The goal is that 90 per cent, respectively 100 per cent, of aid will be channelled through partner country systems in this respect.⁴³

The Paris Declaration stipulates that capacity development support must be based on existing capacity in the partner country and must be coordinated between the donors. This point also includes an objective that 50 per cent of support for capacity development must be coordinated (Indicator 4). Support for capacity development must also be integrated into partner country systems. The donors thereby commit to reducing the stock of parallel project implementation units by two-thirds, which is another objective (Indicator 6).

A complete alignment of aid with partner country processes requires untied aid. This is also one of the five principles of the Paris Declaration, and monitored via Indicator 8.

Progress in implementing the Paris Declaration has been reviewed twice, in 2006 and 2008. Based on evidence that was collected for the 2008 review, the OECD/DAC claims that progress is being made but not fast

⁴² See appendix for the OECD/DAC's definition of sector programme support (Programme-based Approaches).

⁴³ This goal is linked to the quality of country systems, which is measured via Indicators 2a and 2b in the Paris Declaration.

enough. Unless donor and partner countries accelerate their efforts, the international commitments and objectives for more effective aid will not be achieved by 2010, according to the OECD/DAC.⁴⁴ This is also reflected in the Accra Agenda for Action, which focuses on donors' commitment to using partner country systems, and that support for capacity development must be consistent with partners' national strategies.

The SNAO will return to the results of Sweden's progress in implementing the Paris Declaration in Chapter 3, in conjunction with the Government's reporting to the Riksdag.

2.3.2 *EU countries have agreed on division of labour*

The EU has several agreements in the field of aid management

EU Member States and the European Commission are jointly responsible for almost 60 per cent of the world's combined aid.⁴⁵ In recent years, the EU has increasingly assumed responsibility for co-ordinating the Member States and the European Commission's development cooperation, which is endorsed in a number of agreements. Several of these aim to harmonise and enhance aid effectiveness. The European Commission has also taken a leading role in efforts to implement the Paris Declaration.

The basic agreement is "The European Consensus", which was adopted in 2005.⁴⁶ This defines the framework of common principles that the EU and its Member States will each implement in their own development policies. The agreement sets out the objectives that the Member States and the Community commit to for implementing the Paris Declaration. The EU also sets more ambitious objectives than those in the Paris Declaration, including better donor coordination of support for capacity development, more sector programme support, and an increased proportion of support where partner countries' national systems are used.⁴⁷

One important principle for EU development policy is the principle of complementarity, i.e. that the development policies of the EU and the Member States must complement each other. A separate agreement on division of labour and complementarity was signed in 2007. The EU will

⁴⁴ 2008 Survey on Monitoring the Paris Declaration, OECD/DAC, 2008.

⁴⁵ Annual Report 2009 on the European Community's Development and External Assistance Policies and their Implementation in 2008, European Commission, COM(2009)296, 30 June 2009.

⁴⁶ Joint declaration by the Council and the representatives of governments of the Member States meeting within the Council, the European Parliament and the Commission on the development policy of the European Union entitled "European Consensus", adopted by the European Parliament (A6-0319/2005) on 24 October 2005.

⁴⁷ The EU has the same quantitative goals as the Paris Declaration in this respect, but an increased use of systems in the partner countries is not expressly linked to quality in the systems.

ensure that aid is distributed in a more balanced way between partner countries, between sectors and within sectors in the partner countries. The division of labour will be based on each donor's comparative advantages. By 2010, no single donor will be involved in more than three sectors per partner country, except for general budget support.⁴⁸

The European Commission has strengthened its management following recommendations from the European Court of Auditors

In 2007, the European Court of Auditors (ECA) published a performance audit report that focused on the European Commission's technical assistance, i.e. direct support for capacity development through technical expertise that is procured by the European Commission.⁴⁹ The audit showed, among other things, that the European Commission has not adequately assessed institutional capacity weaknesses in its Country Strategy Papers. Neither has the European Commission identified prioritised needs for capacity development in the central and local government services of partner countries. The ECA's conclusion is that project choices are mostly relevant, but they are often inadequately designed due to over-ambitious objectives, tight timeframes and insufficient assessment of the existing weak institutional environment and the level of local ownership of the projects.⁵⁰

The ECA submitted the following recommendations to the European Commission:

- to make a comprehensive and structured analysis of existing institutional capacity weaknesses and capacity development needs in its Country Strategy Papers
- develop guidelines for technical assistance defining its role in the area of capacity development and tools for considering when and how to use it. The ECA emphasised the importance of implementing arrangements that encouraged local ownership, and defining specific capacity development objectives.

Based on the ECA's recommendations, the European Commission developed guidelines for the Commission's technical cooperation.⁵¹

⁴⁸ The EU Code of Conduct on Division of Labour in Development Policy, the Council's (general issues and external connections) summary dated 15 May 2009 (9558/07).

⁴⁹ Special Report no. 6/2007 on the effectiveness of technical assistance in the context of capacity development together with the Commission's replies, European Court of Auditors, 2007-12-21.

⁵⁰ Special Report no. 6/2007 on the effectiveness of technical assistance in the context of capacity development together with the Commission's replies, European Court of Auditors, 2007-12-21, summary.

⁵¹ EuropeAid, Making Technical Cooperation More Effective, Guidelines no. 3, March 2009.

3 The Government's management and reporting on capacity development support

The SNAO has examined the preconditions that the Government's management has created for Sida's contributions to capacity development in the public administration systems of partner countries. The Riksdag has stated that capacity development is a central task for aid. The Riksdag has also highlighted the significance of international harmonisation, and that aid policy is consistent with the Paris Declaration principles. The Paris Declaration contains a number of specific commitments to enhanced aid delivery. Some of these commitments have particular relevance for capacity development support, which was outlined in the previous chapter.

The Government is responsible for ensuring that an overall assessment of the situation in partner countries is carried out, and for how the support is designed at an overall level. The EU agreement on division of labour implies that the Government will decide, within the framework of each development cooperation strategy, what sectors Sweden supports in a partner country. The SNAO has focused on these aspects in its audit of the Government's management of Sida. The SNAO has also examined the Government's reporting to the Riksdag on support for capacity development.

3.1 Changes to Sida's instructions and letters of appropriation

In its audit of the Government, the SNAO paid special attention to the changes in Sida's instructions and letters of appropriation. To summarise, the SNAO confirms that:

- the Government has strengthened the significance of the Paris Declaration in development cooperation policy by integrating it into Sida's instructions, but not until 2009.
- in 2009, the Government instructed Sida to set objectives based on the Paris Declaration, but only in relation to some indicators and the instructions were not communicated clearly.

The SNAO's observations are presented in detail below.

3.1.1 *The Paris Declaration was integrated into Sida's instructions at a late stage*

Sida's instructions, in Ordinance (2007:1371) with Instructions for the Swedish International Development Cooperation Agency, state that from the beginning of 2009, Sida will work proactively to fulfil Sweden's commitment to the Paris Declaration and the Accra Agenda for Action.⁵²

Sida's instructions also specify that Sida will utilise opportunities for cooperation with other donor countries, the European Commission, and international and multilateral organisations. Sida can also allow cooperation partners to take responsibility for appraising, implementing and monitoring Swedish aid contributions where this does not comprise an exercise of public authority.⁵³ Sida can also undertake similar tasks. According to the instructions, Sida can transfer the right of decision to a mission abroad or another government agency, in cases where matters do not require decisions by the Director General or Staff Disciplinary Board. Sida can therefore delegate responsibility for individual contributions to other government agencies.⁵⁴

The new Agency Administration Ordinance also specifies that activities will be carried out in compliance with the obligations of Sweden's EU membership.⁵⁵

The Government has restricted Sida's powers of discretion because overarching decisions on policies and strategies for development cooperation are now made by the Government.⁵⁶ According to Sida's instructions, Sida's task is to assist the Government in the appraisal of policies, strategies and methods.

3.1.2 *Unclear guidance towards the Paris Declaration objectives*

The 2009 letter of appropriation contains objectives that are linked to the Paris Declaration. Sida was requested to increase its focus on results, increase the proportion of sector programme support, and increase the proportion of support via partner country systems.⁵⁷ Sida was also tasked

⁵² Ordinance (2008:1442) amending Ordinance (2007:1371) with Instructions for the Swedish International Development Cooperation Agency (Sida) which became effective on 2009-02-01.

⁵³ Section 3, Sida's instructions.

⁵⁴ Section 4, Sida's instructions.

⁵⁵ Section 3, Agency Administration Ordinance (2007:515).

⁵⁶ Government Bill 2007/08:1, Expenditure Area 7, p. 43-44.

⁵⁷ These objectives are also in the Paris Declaration, see Indicators 11, 9 and 5.

with describing its efforts to enhance aid effectiveness.⁵⁸ The objectives in the letter of appropriation are not linked explicitly to the indicators in the Paris Declaration, nor do they include all of the indicators. There is also a general reporting requirement concerning implementation of the Paris Declaration. These were also included in the letters of appropriation for 2006, 2007 and 2008.

The objectives in the letter of appropriation for 2009 are also reflected in the joint action plan for aid effectiveness that the Ministry for Foreign Affairs and Sida have adopted. This action plan, which has not been officially adopted by the Government, is directed at missions abroad in the partner countries where international development cooperation is taking place. The purpose of the action plan is to specify the control signals that the Government has given Sida in the letter of appropriation. This includes a number of tasks for Sida's country teams. The country teams will verify their achievement of the Paris Declaration objectives. They will also set objectives for increasing the use of country systems, increasing the proportion of sector programme support, and reducing the stock of parallel project implementation units. But the action plan does not include any specific tasks related to increasing the percent of donor capacity support through coordinated programmes consistent with partners' national development strategies (Indicator 4 in the Paris Declaration). Baselines will be set for all indicators, however.⁵⁹

3.2 The Government's management of the cooperation strategy process

The Government manages development cooperation with individual countries through cooperation strategies. The strategies normally apply for a period of four to five years. The Government establishes special guidelines⁶⁰ for developing and monitoring cooperation strategies. The SNAO has audited the Government's guidelines for cooperation strategies and found that:

⁵⁸ Sida's letter of appropriation for 2009, p. 2.

⁵⁹ Action plan for effective aid, Telemessage (A), Message no. UD/20090630-2, Ministry for Foreign Affairs, 2009-06-30.

⁶⁰ Guidelines for cooperation strategies (with clarification of the guidelines for assessment and management of budget support for poverty reduction), Government decision (UD2005/24624/GU), 2005-04-28. The guidelines were amended in a Government decision dated 2007-09-13. (UD2007/25525/USTYR): Amendment to the guidelines for cooperation strategies in Swedish development cooperation. The guidelines were revised in a Government decision dated 2008-04-10. (UD2008/12128/USTYR): Amendment to the guidelines for cooperation strategies regarding the assessment and management of budget support for poverty reduction. The Government revised the guidelines again in a decision dated 2008-06-26 (UD2008/22850/USTYR). This Government decision replaced the amendment to the guidelines on 2007-09-13.

- the guidelines for cooperation strategies have been clarified on the following points:
 - the Government's own instructions for formulating Sida's development cooperation strategy task
 - objective and results-based management in the cooperation strategies assessment criteria for general budget support.
- there are no specific guidelines for capacity development support
- the Government's guidelines for cooperation strategies contain unclear requirements regarding assessments for sector programme support, with the exception of general budget support
- the Ministry for Foreign Affairs has formulated instructions for sector focus in a memo, but the Government has not yet adopted the instructions.

The SNAO's observations are presented in detail below.

3.2.1 *The Government has amended and updated its guidelines several times*

The guidelines for cooperation strategies were produced in 2005 and have been updated and amended on several occasions since then. By amending the guidelines, the Government has successively tightened its management of Sida. The amendments have mainly served to clarify the structure of cooperation strategies and increase the focus on results-based management. Before drafting a development cooperation strategy for a partner country, according to the guidelines for cooperation strategies, the Government will specify the task to Sida. The Government will specify the analyses that Sida will carry out, in addition to the general assessment requirements set out in the guidelines for cooperation strategies, and the political priorities that will underlie the cooperation. The areas and sectors for cooperation can also be defined in the task.⁶¹ This specification was added when the guidelines were amended in September 2007.⁶²

However, there are no formal instructions concerning the general assessments that are required prior to decisions in the cooperation strategies concerning the sectors that Sida will support. The Ministry for Foreign Affairs has produced an internal working paper for this purpose, but the instructions have not yet been translated into a Government decision.⁶³

⁶¹ Amended guidelines for cooperation strategies in the Swedish development cooperation (2008), p. 3–4.

⁶² Amended guidelines for cooperation strategies in Swedish development cooperation, Government decision (UD2007/25525/USTYR), 2007-09-13.

⁶³ Internal instructions for sector focus, Working Document, Ministry for Foreign Affairs, 2009-03-02.

3.2.2 *The guidelines are still unclear*

The guidelines for cooperation strategies specify a number of assessment criteria, but allow Sida to decide what should be analysed and how the analysis is carried out. Possible areas for analysis include systems for public financial management, and levels of capacity and ownership in the institutions that will implement the aid contributions.⁶⁴ No special analysis tools are defined in the guidelines, although there is a general reference to Sida's policy document.⁶⁵

The guidelines also state that development cooperation must increasingly focus on sector programme support in countries that are considered to have the capacity and ability to implement and report on poverty reduction strategies.⁶⁶ But the criteria for assessing whether countries are eligible for sector programme support are not clear. The guidelines also stipulate that reporting on the support that is channelled via partner country systems must be transparent.⁶⁷

There are clear criteria, however, for assessing a specific form of sector programme support, general budget support.⁶⁸ The analysis of systems for public financial management is obligatory, and the guidelines refer to internationally accepted instruments for analysis⁶⁹. The need for capacity development support must also be assessed, but the Government has not specified the factors that apply for this assessment.⁷⁰ Capacity development support was also an important part of previous guidelines for budget support.⁷¹

⁶⁴ Guidelines for cooperation strategies, p. 20.

⁶⁵ Guidelines for cooperation strategies, p. 20.

⁶⁶ Guidelines for cooperation strategies, p. 20.

⁶⁷ Guidelines for cooperation strategies, p. 24.

⁶⁸ The previous guidelines for budget support from 2005 also comprised sector budget support (a similar aid modality), but the revised guidelines only apply to general budget support.

⁶⁹ Clarification of the guidelines for assessing and managing budget support for poverty reduction, Appendix 2 to the guidelines for cooperation strategies (2008), p. 9. The following instruments are included in footnote 13: Public Expenditure and Financial Accountability – Performance Measurement Framework (PEFA – PMF), HIPC assessment, Country Financial Accountability Assessment (CFAA), Public Expenditure Review (PER), Public Expenditure Tracking Studies (PETS), Country Procurement Assessment Review (CPAR), Country Policy and Institutional Assessment (CPIA), DFID Fiduciary Risk Assessment.

⁷⁰ Clarification of the guidelines for assessing and managing budget support for poverty reduction, Appendix 2 to the guidelines for cooperation strategies (2008), p. 2.

⁷¹ Guidelines for cooperation strategies (with clarification of the guidelines for assessing and managing budget support for poverty reduction), Government decision (UD2005/24624/GU), 2005-04-28.

Capacity development support is not addressed explicitly in the Government's guidelines for cooperation strategies, and the Government has no special guidelines for this purpose. The guidelines show, however, that Swedish comparative advantages are one of the key factors when defining the focus and objectives for the cooperation, and the Government does not specify what this entails.⁷²

3.3 The Government's management of cooperation with individual countries

The SNAO has audited current cooperation strategies for Mali, Burkina Faso, Rwanda, Bolivia, Tanzania, Bangladesh, Zambia, Mozambique, Cambodia, Kenya and Uganda. The SNAO's audit has proceeded from the OECD/DAC reference document⁷³ and the Government's own guidelines for cooperation strategies. The SNAO has also examined the extent to which the principles of the Paris Declaration have been integrated into the cooperation strategies.

The SNAO has found that:

- Three of eleven partner countries do not have current cooperation strategies.
- Democratic progress in the partner countries is only considered positive in some cases, and national ownership is often questionable.
- The cooperation strategies often lack a direct linkage between sector programme support and the need for capacity development support.
- Decisions concerning the sectors that Sida will support are made within the framework of the cooperation strategies, but the extent that assessments of public administration capacity are made at sector level varies.
- The principles and commitments in the Paris Declaration have been integrated into cooperation strategies produced after 2005 to a certain extent.

The SNAO's observations are presented in detail below.

⁷² Guidelines for cooperation strategies, p. 9.

⁷³ The Challenge of Capacity Development: Working towards Good Practice, DAC Network on Good Governance, 2006.

3.3.1 *Three countries still lack updated cooperation strategies*

The cooperation strategies for the partner countries concerned have been adopted as follows:

- 2004 or earlier: Mali, Burkina Faso and Rwanda
- 2006: Tanzania
- 2008: Bangladesh, Zambia, Mozambique and Cambodia
- 2009: Bolivia, Kenya and Uganda.

Three cooperation strategies were prepared before the Paris Declaration was endorsed. The Government has extended these cooperation strategies on several occasions, most recently in summer 2008.⁷⁴ None of the cooperation strategies that were prepared in accordance with the Government's guidelines in 2005, with the exception of Tanzania, have been formally valid for more than about one year.

3.3.2 *Democratic progress is rarely considered positive*

The starting point for the cooperation strategies is the partner country's own strategy for poverty reduction or similar. The Government's guidelines state that the policy for the partner country must be analysed from a poverty reduction perspective, primarily in regard to democracy, human rights and economic policy. An overall assessment will provide the basis for Sweden's choice of prioritised sectors and aid modality. A fundamental concept in the OECD/DAC reference document for capacity development support is that both positive and negative aspects of the enabling environment must be analysed. The Government's guidelines for cooperation strategies reflect the OECD/DAC's approach when summarising the requirements of an analysis: "an overall assessment of what drives and obstructs development in the country".⁷⁵

All of the audited cooperation strategies contain an overall discussion of the political situation and the state of national systems, including fighting corruption.

Two cooperation strategies include a positive evaluation of democratic progress in the country (Zambia and Bolivia).⁷⁶ In some other cases, the Government assesses that democratic progress⁷⁷ is weak and that inadequate political commitment to poverty reduction⁷⁸ presents challenges to the cooperation.

⁷⁴ The cooperation strategies for Burkina Faso, Mali and Rwanda were extended until December 2009 in a Government decision (UD2008/25122/USTYR), 2008-07-24.

⁷⁵ Amendment to guidelines for cooperation strategies (2008), p. 3.

⁷⁶ Cooperation strategies for Zambia p. 13, and Bolivia p. 12.

⁷⁷ Cooperation strategies for Mozambique p. 12, 21; Rwanda p. 12; Cambodia p. 9, 10; Tanzania p. 4.

⁷⁸ Cooperation strategies for Kenya p. 8, 13; Uganda p. 2, 11; Tanzania p. 4, Mali p. 7.

The partner country's poverty strategy, the degree of participation, weaknesses and goal fulfilments are analysed in all of the cooperation strategies (except for Bangladesh). Most of the cooperation strategies make brief and general assessments of the degree of national ownership. Some cooperation strategies include a closer analysis of the extent of public participation when the poverty strategy was prepared.⁷⁹

The SNAO notes that the cooperation strategies for Mali and Burkina Faso are formulated identically in relation to political developments, political will and the weakness of government institutions.

3.3.3 *The link between sector programme support and the need for capacity development is often absent*

All cooperation strategies, except for Rwanda, contain formulations that the cooperation will promote a transition towards more sector programme support. Weaknesses in public financial management are often addressed in the cooperation strategies. The public financial systems in five of the countries that receive some type of budget support are considered inadequate.⁸⁰

The cooperation strategies rarely contain a direct linkage between sector programme support and the need for capacity development support. The cooperation strategies for Bolivia, Mali, Burkina Faso and Rwanda are exceptions. In the cooperation strategy for Rwanda, the Government mentions opportunities for supplementing budget support with increased support for public financial management.⁸¹ In several countries where budget support is provided, the Government emphasises that support is provided for developing capacity in public financial management.⁸² For Bolivia, the Government states that the capacity for designing and implementing a poverty-oriented policy needs to be strengthened, but this is not expanded upon.⁸³

⁷⁹ Cooperation strategies for Tanzania p. 7, Mozambique p. 13, Zambia p. 14.

⁸⁰ Cooperation strategies for Rwanda p. 14, Mali p. 9, Burkina Faso p. 9, Mozambique p. 13, Uganda p.12.

⁸¹ Cooperation strategies for Burkina Faso p. 12, Mali p. 13, Bolivia p. 4, Rwanda p. 20, Kenya p. 11.

⁸² Cooperation strategies for Mali p. 13, Mozambique p. 5, Bangladesh p. 5, Cambodia p. 5, Uganda p. 4, Tanzania p. 11, Kenya p. 4, Uganda p. 6.

⁸³ Cooperation strategy for Bolivia, p. 4.

3.3.4 Capacity at sector level discussed in varying degrees

In line with the EU code of conduct for development policy, the Government has committed to concentrating cooperation to fewer sectors. Decisions concerning the sectors that Sida will support are therefore made in conjunction with establishing the cooperation strategies.⁸⁴ All assignments to Sida regarding cooperation strategy proposals dated 2005 and onwards, contain instructions that Sida will consider how aid contributions can be concentrated to fewer sectors.

All of the cooperation strategies, with the exception of Bangladesh, contain a general discussion on the capacity in public institutions. In general, capacity in national institutions is considered weak and in need of support. In the cooperation strategies for Cambodia, Mali, Burkina Faso, Rwanda and Mozambique, the Government maintains that inadequate capacity in the public administration systems constitutes a risk for effective development cooperation.⁸⁵

In several cooperation strategies, the Government stresses that all contributions in the country will promote the development of domestic capacity.⁸⁶ The extent to which capacity at sector level is discussed varies. The cooperation strategies for Uganda and Cambodia, and to some extent the strategies for Bolivia, Mozambique, Rwanda and Zambia, contain formulations related to capacity development support at sector level.⁸⁷ Cooperation strategies prepared over the past two years specify objectives at sector level.⁸⁸

The contributions of other donors at sector level are rarely discussed in the cooperation strategies, with the exception of Bolivia, Rwanda, Kenya and Cambodia.⁸⁹

In the cooperation strategies for Mali, Burkina Faso and Cambodia, capacity development is described as a general comparative advantage⁹⁰

⁸⁴ Internal instructions for sector focus, Working Document, Ministry for Foreign Affairs, 2009-03-02.

⁸⁵ Cooperation strategies for Rwanda p. 17, Mali p. 9, Mozambique p. 14–16, Burkina Faso p. 11, Cambodia p.11.

⁸⁶ Cooperation strategies for Cambodia p. 6, Rwanda p. 19, Zambia p. 11, Tanzania p. 9.

⁸⁷ Cooperation strategies for Cambodia p. 5; Uganda p.7–8, 4; Bolivia p. 16–18; Mozambique p. 5–7, Rwanda p. 19, 20; Zambia p. 6–7, Tanzania p. 12–13.

⁸⁸ These tasks contain specific instructions that Sida will assess how capacity can be strengthened: Government decision 2006-11-09 concerning task to prepare a cooperation strategy proposal for Kenya, Government decision 2007-03-08 for Zambia, and Government decision 2006-04-12 for Moçambique.

⁸⁹ Cooperation strategies for Bolivia, p. 15, 18–19, Rwanda p. 15, Kenya p. 17, Cambodia p. 13.

⁹⁰ The choice of sectors will be determined by Swedish comparative advantages (Guidelines for cooperation strategies [2005], p. 9), but the Government does not define “comparative advantages”. The term has been clarified in a working document from the Ministry for Foreign Affairs, but the content has not yet been formalised (Internal instructions for sector focus, Working Document, UD 2009-03-02).

for the whole of Sweden's development cooperation.⁹¹ In the cooperation strategies for Mozambique, Uganda and Kenya, however, the discussion on comparative advantages is broken down to sector level and based, amongst other things, on lessons learned from previous Swedish cooperation with the country.⁹²

3.3.5 *Integration of the Paris Declaration into the cooperation strategies*

Direct or indirect links to the Paris Declaration can be found in the Government's instructions to Sida to prepare cooperation strategy proposals, from 2005 when the Paris Declaration was endorsed and onwards⁹³ with exceptions for Bangladesh and Cambodia.⁹⁴ The tasks concerning current cooperation strategies for Rwanda, Mali, Burkina Faso and Tanzania were formulated before 2005.

The cooperation strategies that were prepared after 2005 refer to the Paris Declaration's principles of ownership, harmonisation and effectiveness. There are no direct references to the Paris Declaration indicators (with the exception of Tanzania and to some extent Kenya), but there are indirect links to increased sector programme support, using country systems for public financial management and procurement, and alignment with the countries' own planning processes, such as national poverty strategies. There is no discussion, however, on reducing the proportion of parallel project implementation units, which is one of the Paris Declaration indicators.

All cooperation strategies state that cooperation will be aligned with the development country's poverty strategy, and that the proportion of sector programme support will increase (with the exception of Rwanda).

National systems for planning, monitoring and implementation will be used in Tanzania, Kenya, Uganda, Mozambique, Zambia and Bangladesh.⁹⁵ National procurement systems will be increasingly used in Mozambique and Kenya.⁹⁶ Some cooperation strategies contain objectives for increased

⁹¹ Cooperation strategies for Cambodia p. 14, Burkina Faso p. 9, Mali p. 11.

⁹² Cooperation strategies for Mozambique p. 18, Uganda p. 19, Kenya p. 19.

⁹³ This applies for the following government-assigned tasks to Sida concerning the preparation of cooperation strategies: Uganda 2006-04-06, p. 2; Mozambique 2006-04-12, p. 2; Zambia 2007-03-08, p. 3; Bolivia 2008-03-27, p. 3, and (indirectly through reference to the underlying principles of harmonisation and ownership) Kenya 2006-11-09.

⁹⁴ Sida's government-assigned task to prepare cooperation strategies for Cambodia 2006-03-09 and Bangladesh 2006-03-23.

⁹⁵ Cooperation strategies for Tanzania p. 5, 9, 17; Kenya p. 3, Zambia p. 9, 12; Mozambique p. 10, Uganda p. 10, Bangladesh p. 7.

⁹⁶ Cooperation strategies for Mozambique p. 10, Kenya p. 7.

use of country systems for public financial management, but only Tanzania's cooperation strategy refers explicitly to using country systems for public financial management.⁹⁷

3.3.6 *Uncertainty regarding the use of Swedish actors*

In the guidelines for cooperation strategies, the Government states that Swedish comparative advantages are key factors when formulating the focus and objectives for cooperation, but does not specify what this means.⁹⁸ The Government's guidelines for cooperation strategies do not refer explicitly to Sida's cooperation with Swedish government agencies.

All of the cooperation strategies for the audited countries contain formulations like "choice of cooperation areas is based on Swedish comparative advantages" or "Swedish comparative advantages must be utilised in the cooperation".

Examples of Swedish comparative advantages that are related to capacity development support can be found in the cooperation strategies for Burkina Faso, Kenya, Mali, Mozambique, Cambodia and Uganda.⁹⁹

The cooperation strategy for Rwanda states clearly that cooperation with Swedish government agencies that aims to develop public institutions in Rwanda will continue.¹⁰⁰ Similarly, the cooperation strategy for Cambodia contains a reference to Statistics Sweden's cooperation with the Cambodian statistical authority.¹⁰¹ Other audited cooperation strategies do not say that cooperation has to take place via or together with Swedish government agencies.

3.4 **The Government's reporting to the Riksdag**

The SNAO has examined the performance communication for Swedish aid that the Government submitted to the Riksdag in spring 2009. The SNAO has found that:

- the Government states that Swedish aid should focus more on capacity development

⁹⁷ Cooperation strategy for Tanzania p. 9.

⁹⁸ Guidelines for cooperation strategies (2005), p. 9.

⁹⁹ Cooperation strategies for Cambodia p. 14, Burkina Faso p. 9, Mali p. 11, Mozambique p. 18, Uganda p. 19, Kenya p. 19.

¹⁰⁰ Cooperation strategies for Rwanda p. 19.

¹⁰¹ Cooperation strategies for Cambodia, p. 9.

- the Government presents the results from an international survey of monitoring the Paris Declaration without discussing the reliability of the information.

The SNAO's observations are described in more detail below.

3.4.1 *The Government claims that capacity development support should be strengthened*

The Government's performance communication contains a review of geographically based bilateral cooperation per continent, and a presentation of the Swedish results in the international monitoring of the Paris Declaration. The performance communication is primarily based on the results appendix that Sida submitted to the Government together with the Annual Report for 2008. This, in turn, is based on results analyses carried out by Sida in the countries where a cooperation strategy period has recently concluded, or is about to end (in other words, not all partner countries are included in Sida's results analysis). Sida has made a qualitative selection of contributions because Sida's monitoring system does not yet enable a more systematic follow-up.¹⁰²

Several examples of capacity development contributions are described in the Government's performance communication. Even though some individual positive results are presented, a recurring theme in the performance communication is that inadequate capacity and lack of donor harmonisation still obstruct effective aid delivery.¹⁰³

The Government lists a number of conclusions that can subsequently be drawn from the performance communication. The first conclusion is that the Swedish focus on capacity development support should be strengthened, especially when the beneficiary is a government or government authority. This applies particularly for sector programme support, which should be complemented with targeted support for developing public financial management capacity in partner countries.¹⁰⁴ The Government's objective is that the proportion of sector programme support will increase, but that sector programme support requires greater capacity in the countries and a lack of political stability is a complicating factor.¹⁰⁵ The Government also concludes that dialogue has acquired a more significant role. According to the Government, dialogue should be carefully planned, focused and all Swedish actors should be concordant.¹⁰⁶

¹⁰² Aid performance communication 2008/09:189, p. 16 and p. 40.

¹⁰³ Aid performance communication 2008/09:189, p. 55 and p. 62.

¹⁰⁴ Aid performance communication 2008/09:189, p. 18.

¹⁰⁵ Aid performance communication 2008/09:189, p. 19, 48 and p. 70.

¹⁰⁶ Aid performance communication 2008/09:189, p. 19.

3.4.2 *The Government's information about the Paris Declaration is unreliable*

Information from the latest monitoring of the Paris Declaration is presented separately, and not integrated into the presentation of geographically based results.¹⁰⁷

In the performance communication, the Government confirms Sweden's commitment to implementing the Paris Declaration. The Government also emphasises that efforts to increase aid effectiveness will be integrated into all national aid. Enhanced effectiveness will also apply for cooperation with multi-lateral organisations.¹⁰⁸

The performance communication addresses Indicator 4 of the Paris Declaration on coordinated support to strengthen capacity (see Chapter 2 for a description of the indicators), Indicator 5a regarding the use of country public financial management systems, and Indicator 9 regarding use of common arrangements or procedures.

Indicators that are not addressed are Indicator 5b regarding use of country procurement systems, Indicator 6 on avoiding parallel implementation structures, and Indicator 8 regarding untied aid.

The Government's presentation shows that Swedish results for the above indicators, except for common arrangements or procedures, are positive and that the target levels have already been achieved.

The Government writes that results from the previous monitoring of the Paris Declaration from 2006 are difficult to interpret but that the definitions have been clarified for 2008.¹⁰⁹ The Government does not discuss the reliability of the information in the 2008 monitoring of the Paris Declaration.¹¹⁰ Sida claims, however, that information from the 2008 monitoring of the Paris Declaration is unreliable. A number of results differ from Sida's operational statistics. Sida claims that its use of country systems for public financial management and procurement is actually lower than the results presented in the monitoring of the Paris Declaration. The results of Sida's use of Programme-based Approaches are also unreliable.¹¹¹

Information from the latest monitoring of the Paris Declaration was also presented in the budget bill for 2009.¹¹²

¹⁰⁷ Aid performance communication 2008/09:189, p. 157.

¹⁰⁸ Aid performance communication 2008/09:189, p. 155.

¹⁰⁹ Government Bill 2008/09:1 Expenditure area 7 International development cooperation, p. 36–37 and aid performance communication 2008/09:189, p. 157.

¹¹⁰ 2008 Survey on Monitoring the Paris Declaration, OECD/DAC, 2008.

¹¹¹ Sida's clearance process 2009-10-06. The unreliability of the results concerning Sida's use of Programme-based Approaches is also influenced by the fact that Sida only recently adopted the OECD/DAC's definition, which makes a comparison more difficult. Sida changed its classification system on 2008-11-04 to comply with the OECD/DAC.

¹¹² Government Bill 2008/09:1 Expenditure area 7 International development cooperation, p. 36–37.

4 Sida's support for capacity development

This chapter presents the SNAO's observations of Sida's support for capacity development in the public administration of partner countries. In the first section, we present the preconditions for providing capacity development support by examining Sida's regulatory framework for appraising, implementing and monitoring the contributions, and to some extent the organisational conditions. In the following sections, we present observations from our examination of 40 contributions for public administration support in five countries (see Chapter 1 for the selection).

Capacity development is a key issue in the Paris Declaration. Based on the Paris Declaration, the OECD/DAC has developed principles for good practice when delivering support for capacity development. The OECD/DAC reference document is based on the objectives of the Paris Declaration, where a number of principles are defined for how cooperation around capacity development support should take place:¹¹³

- The design of the contributions must be based on a fundamental understanding of the context in which the beneficiary (hereafter referred to as the partner) operates, and the partner's strengths and weaknesses.
- Support for development must be based on the partner country's desire and ability to lead the contributions, i.e. initiatives must build on clear ownership.
- The contributions must have objectives, and the resources that are used will be cost-effective.

The contributions will be designed to maximise the learning experience, i.e. they will promote a common understanding of what enables or hinders capacity development.

These criteria have guided the SNAO's assessment of Sida's proposals for support to contributions (see also the analysis guide in Appendix 3).

¹¹³ The OECD/DAC reference document is based on 40 years of experience from both donors and partners' work with capacity development, especially in the public sector. The Challenge of Capacity Development: Working towards Good Practice, DAC Network on Good Governance, 2006, p. 3 (in subsequent footnotes we will refer to this report as the OECD/DAC).

4.1 Sida's management of support for capacity development

The SNAO has examined how Sida manages contributions to capacity development support. The SNAO has found that Sida's management does not give Sida employees enough clarity or guidance for capacity development support.

The SNAO bases this statement on the following observations:

- Sida has several overlapping layers of governing documents. Sida's capacity development policy is more discussion-oriented than governing.
- Sida's capacity development manual complies in principle with the OECD/DAC reference document, but does not give Sida's employees any specific instructions.
- Sida does not have clear instructions for handing over programmes to new programme officers.

The SNAO's observations are described in more detail below.

4.1.1 *Sida has several overlapping layers of governing documents*

Sida has regulations for implementing development cooperation policy. There are also governing documents with varying status. The core of the regulatory framework is the Regulation on Contribution Management¹¹⁴, which contains the minimum requirements for appraising and monitoring contributions. The purpose of the Regulation on Contribution Management is to specify the requirements for Sida's contribution management, so that all contributions that Sida supports financially are relevant, effective, feasible, possible to monitor and evaluate, and sustainable. The Regulation on Contribution Management also states that the contributions must be predictable, transparent and auditable. Earlier versions of the Regulation on Contribution Management have contained similar requirements.¹¹⁵

The Regulation on Contribution Management refers to Sida at Work – A Guide to Principles, Procedures and Working Methods¹¹⁶. In this document, Sida highlights the role of the Paris Declaration in international development cooperation. Sida explains, for example, that within the framework of the

¹¹⁴ Regulation on Contribution Management, regulatory decision, ref. no. 2008-006392, 2008-12-19.

¹¹⁵ Working with contributions in Sida's project cycle, DG decision 61/01 dated 2001-07-01, and Regulation on Contribution Management, decision 2005-005208.

¹¹⁶ Manual on Contribution Management, Sida at Work, Sida, 2005.

Paris Declaration donors have committed to capacity development and other measures for strengthening legal and institutional frameworks.¹¹⁷

The Regulation on Contribution Management also lists other documents, including Sida's capacity development policy. In addition to the binding Regulation on Contribution Management, Sida has a number of different directives and guidelines that are divided into a hierarchical structure.¹¹⁸

Sida's capacity development policy is a *thematic and specific sector policy*, which means that "the target group is not all of Sida, only the affected operations".¹¹⁹ This also includes Sida's guidance for Programme-based Approaches.¹²⁰ The guidelines describe Sida's approach to capacity development support within the framework of Programme-based Approaches. The guidelines stipulate that support for capacity development will be aligned with needs and based on existing capacity.¹²¹ However, they do not address capacity assessments, the design of the support, implementation or monitoring. Sida does, however, have another method document that addresses these issues in detail. But the status of this document is not clear.¹²²

The status of the directives above is not equal to environmental and gender equality policies, for example, which are standards for the whole organisation.

Sida's guidelines for assessing the partner country's public financial management systems take the form of a position paper that specifies an approach in narrower issues.¹²³

In 2005, the OECD/DAC criticised the number of Sida's policies and in the most recent summary of reports, the OECD/DAC stated that this problem had still not been resolved.¹²⁴

Sida's overall governing document, Perspectives on Poverty¹²⁵, does not explicitly address support for capacity development. Sida's contribution management manual, Sida at Work, has a special section on capacity

¹¹⁷ Sida at Work – A Guide to Principles, Procedures and Working Methods, Sida, 2005, p. 13. See also p. 22, 42 and 50-55.

¹¹⁸ Regulation on policies and methods in the aid process, regulatory decision, ref. no. 2007-002015, 2007-04-16.

¹¹⁹ Sida's intranet 2009-09-03. Translation by the SNAO.

¹²⁰ Guidance on Programme-based Approaches, Sida, September 2008. According to the foreword, this is Sida's "key guidance on Programme-based Approaches".

¹²¹ Guidance on Programme-based Approaches, p. 8.

¹²² How to Start Working with a Programme-based Approach, Sida, September 2008.

¹²³ Sida's intranet 03.09.09.

¹²⁴ Peer Review of Sweden, OECD/DAC, 2009, p. 24.

¹²⁵ Perspectives on Poverty, Sida, June 2004.

development¹²⁶. However, there are no minimum requirements for the analyses that are made in conjunction with capacity development support, or specific instructions for how to design the contributions.

Sida's regulatory framework is currently being revised. The changes are expected to apply by mid 2010 at the latest.¹²⁷

4.1.2 *Sida's capacity development cooperation policy is more discussion-oriented than governing*

Sida's capacity development policy states that Sida will ensure that capacity development is systematically integrated into the goals for projects and programmes. The policy stresses that Sida needs to increase its internal capacity and the capacity of Swedish actors engaged in development cooperation.

The policy contains references to various instruments for organisational assessments, such as the Staircase Model, but does not clarify the extent to which they should be used.¹²⁸

The policy is more like a discussion paper than a clear policy that defines goals and describes how they can be achieved, however.

4.1.3 *Sida's capacity development manual does not give Sida employees specific instructions*

In 2005, Sida produced a capacity development manual. The manual is closely aligned with the principles in the OECD/DAC reference document for capacity development support.

The manual stresses that both capacity and capacity development are fundamental to successful projects and programmes, and that they should be part of the implementation process in all contributions. The environments where Sida works are often highly complex. The best method for supporting capacity development, according to the manual, is always contextual. Analysis is therefore central. The manual also highlights the importance of choosing a method that supports national ownership and shared learning.¹²⁹

¹²⁶ Contribution Management Manual, Sida at Work, Sida, 2005, p. 52.

¹²⁷ Sida's intranet 2009-09-02.

¹²⁸ Sida's Policy for Capacity Development as a Strategic Question in Development Cooperation, Sida, 2001, p. 24–26.

¹²⁹ Manual for Capacity Development, Methods Document, Sida, October 2005, p. 1, 5.

The manual describes different methods for supporting capacity development support but only briefly, and more generally than specifically.¹³⁰ The same applies for monitoring, evaluation and learning. The description is more theoretical than practical.¹³¹

Capacity is defined in the manual as “the conditions that must be in place, for example knowledge, competence, and effective and development-oriented organizations and institutional frameworks, in order to make development possible”.¹³² This definition is consistent with the OECD/DAC definition.¹³³ The manual does not operationalise how the concepts of “capacity” and “capacity development” are related to resources and goals. For example, there is no specific advice about how and when capacity development is crucial. Neither is there any clarification of the analyses that are relevant before and during the implementation of the contribution.

Sida’s capacity development manual corresponds in principle with the OECD/DAC reference document, but not with the Paris Declaration’s objective for untied aid. The manual states that Swedish actors play an important role in the implementation of Swedish aid. According to the foreword, Sida almost always engages Swedish actors for capacity development.¹³⁴

4.1.4 *Sida has no instructions for handing over contribution responsibility*

As of 1 October 2008, Sida has been organised into three “pillars”: Operations, Administrations and Management.¹³⁵ Contributions are managed by country teams in the Operations pillar. The Operations pillar is divided into departments on the basis of country teams and categories. The country teams are responsible for appraising, implementing, monitoring and evaluating contributions within the framework of the adopted strategies, and establishing a dialogue around the cooperation.¹³⁶ Each country team is led by a country director. The country teams are also responsible for quality assuring the contributions at local level. A country team normally comprises both personnel from Sida’s head office and field staff.

¹³⁰ Manual for Capacity Development, p. 60–65.

¹³¹ Manual for Capacity Development, p. 49–59.

¹³² Manual for Capacity Development, p.13.

¹³³ The OECD/DAC reference document defines “capacity development” as the process whereby individuals, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time, p. 12.

¹³⁴ Manual for Capacity Development, p. 2.

¹³⁵ Sida’s Regulations for organisation, delegation of work and decision making procedure, DG decision 2009-04-03.

¹³⁶ Sida’s regulations for organisation, delegation of work and decision-making procedure.

The SNAO has observed that Sida lacks centrally established guidelines for handing over responsibility for contributions when programme officers change. There are administrative checklists,¹³⁷ but on field visits the SNAO could not find any locally established procedures for handing over contribution responsibilities to new programme officers, even though a procedure was under development in Zambia.

The SNAO has also noted that Sida has a high level of internal mobility. This increased from 14.9 per cent at the beginning of 2008 to 27.9 per cent by the end of the same year. According to Sida's Annual Report, the high level of mobility is partly due to reorganisation, but also to the increased number of short-term appointments for field service.¹³⁸ Field staff are appointed for a period of two years, with an option to extend their appointment to a maximum of five years.

4.1.5 *Sida's advisory committee often raises ownership issues*

Issues related to capacity development are handled by the Department for Methodologies and Effectiveness, as they were before the reorganisation. Like the OECD/DAC, the SNAO notes that Sida has devoted a part-time position to this task.¹³⁹ The Management pillar also has departments for handling results-based management, quality assurance, evaluation, finance and internal recruitment, etc.

Contributions that exceed SEK 100 million will be quality-assured centrally by the Decision Advisory Committee. The previous limit was SEK 50 million. Contributions that fall below SEK 100 million and that are included in the audit have been quality assured by a local advisory committee.

The SNAO has observed that issues that are raised and discussed within the framework of the advisory committee meetings at both local and central level are important and relevant. Improving the formulation of issues related to ownership and capacity development in memos is often one of the committee's recommendations.

There is no system for monitoring results and assessing Sida-financed projects at contribution level, but this has been under development since 2008 and is expected to come into operation in 2010.¹⁴⁰

¹³⁷ Interviews with Sida staff.

¹³⁸ Sida's Annual Report for 2008, p. 34.

¹³⁹ Peer Review of Sweden, OECD/DAC, 2009, p. 73.

¹⁴⁰ Results Appendix to Sida's Annual Report for 2008, p. 121. Sida previously applied a rating system for monitoring contributions. This was discontinued due to poor application.

4.2 Presentation of audited contributions

The SNAO has audited Sida's decisions concerning 40 contributions to support for capacity development in the public administration of partner countries (for selection and criteria, see Chapter 1). These contributions are divided into five case study countries and have a combined volume of approximately SEK 2 billion. The contributions constitute support for strengthening public financial management, improving statistical administration or increasing planning capacity in health and education ministries – areas where increased capacity is crucial for implementing poverty reduction strategies in partner countries.

The contributions are presented in the table below (for a detailed list and brief information, see Appendix 2). The table also lists the abbreviations that we use in the footnotes.

Audited contributions

Contribution	Abbreviation in the report	Date of decision	Volume for agreement period (SEK)
Mozambique			
Support for the statistical authority	INE MOC	6/6/2003	40 000 000
Support for the provincial administration in Niassa	Niassa	2006-03-20*	19 000 000
Support for the internal audit authority	IGF	7/7/2006	48 500 000
Support for research and analysis	DNEAP	7/7/2006	20 000 000
Public financial system reform	SISTAFE II	7/11/2006	30 000 000
Support for debt management	DNEAP	5/22/2007	4 900 000
Public administration reform	UTRESP II	2007-10-08*	14 000 000
Support for public external audit	TA-AFROSAI-E	7/6/2007	25 000 000
Support for the agricultural sector	PROAGRI II	6/26/2008	142 000 000
Support for strategic analysis in the agricultural sector	SAKSS	2008-10-04*	22 500 000
Total decided for Mozambique			365 900 000
Zambia			
Energy sector reform	ERB	2006-05-06*	5 400 000
Overhaul of urban development legislation	Spat planning	3/28/2006	4 500 000
Support for urban development	LCC	6/14/2006	29 000 000
Support for national Aids coordination	NAC	10/11/2007	9 000 000
Support for the agricultural sector	ASP/MACO	6/27/2002	230 000 000
Support for the health sector	Health Sector support	2006-07-18*	660 000 000
Private sector development	ZMB PSD	4/11/2006	15 000 000
Public financial system reform	ZMB Financial mgmt	6/27/2005	35 000 000
Public administration reform	ZMB PSM	6/21/2006	40 000 000
Total decided for Zambia			1 027 900 000

Contribution	Abbreviation in the report	Date of decision	Volume for agreement period (SEK)
Rwanda			
Support for public external audit	Auditor General	3/19/2008	9 500 000
Support for the national electoral commission	NEC	2008-06-10*	15 000 000
Support for the national police authority	Police cooperation	6/3/2005	20 000 000
Support for decentralisation	RALGA	3/10/2006	10 500 000
Support for IT sector reform	RITA	2/14/2007	24 000 000
Total decided for Rwanda			79 000 000
Bolivia			
Support for the statistical authority	INE Bolivia	10/12/2005	35 000 000
Support for the education sector	New edu	7/5/2005	200 000 000
Public financial system reform	TAF	6/21/2005	4 500 000
Water and sanitation	Wat San	10/20/2006	40 000 000
Support for human rights ombudsman	MR ombudsman	6/27/2007	4 000 000
Initial support for land reform	INRA	1/18/2008	2 750 000
Support for the water ministry	PNC	5/31/2007	11 300 000
Support for local administration	FPS		6 000 000
Public administration reform	PRI	9/4/2007	2 800 000
Support for local administration	Ass of Munici	5/13/2008	2 400 000
Support for development of a basic account plan	PUC	7/4/2002	12 800 000
Support for national anti-corruption programme	Anticorruption	4/19/2005	24 500 000
Total decided for Bolivia			346 050 000
Cambodia			
Support for the education sector	EBEP II	3/3/2006	30 500 000
Public financial system reform	PFM reform	2/21/2008	30 000 000
Support for local administration	PSDD	4/7/2008	30 500 000
Support for the statistical authority	NIS	2/3/2006	21 500 000
Total decided for Cambodia			112 500 000

Source: Audited assessment memos (proposals). *As there is no decision date for these contributions, the date of the assessment memo is given.

Common for all of the audited contributions is that they aim to strengthen the capacity of partner country institutions. The five largest contributions are sector programme support. In financial terms, these decisions relate to contributions ranging from around SEK 100,000,000 to 660,000,000.¹⁴¹

The contributions approach capacity development support in different ways. For education support in Cambodia and Bolivia, capacity development is a component of the programme. The sector programme support in

¹⁴¹ Support for the education sector in Bolivia and Cambodia, support for the agricultural sector in Mozambique and support for the health sector in Zambia.

Zambia and Mozambique is supplemented with separate contributions for developing capacity in various parts of the partner ministries.

The table below shows the distribution between project support and sector programme support in the five case study countries in 2008. Rwanda receives neither sector programme support nor general budget support, while these two aid modalities represent more than 80 per cent of support to Zambia¹⁴². In Mozambique, sector programme support and budget support represent around half of all Swedish aid to the country.

Distribution of aid modalities in 2008

Title of contribution	Bolivia	Cambodia	Mozambique	Rwanda	Zambia
Project support	91 830 000	69 637 000	286 094 000	43 805 000	31 355 000
Sector programme support	21 683 000	30 602 000	53 700 000		182 436 000
General budget support			350 000 000		102 600 000
Other aid modalities	67 744 000	7 393 000	20 000 000	50 869 000	36 645 000
Total	181 257 000	107 632 000	798 570 000	94 674 000	353 036 000

Source: Sida's statistics, 2008 database. Other aid modalities include technical cooperation, credit, humanitarian aid, research and grants to individual organisations. These are not included in the audit.

4.3 Sida's assessment of preconditions for capacity development

The OECD/DAC reference document maintains that capacity development can be supported in different ways, and that donors must have a flexible approach to contributions and procedures.¹⁴³ The document also claims that donors should start by asking "Capacity for what?" and focus on the specific capacities that are needed for accomplishing clearly defined goals, rather than developing broad knowledge in general areas.¹⁴⁴ This approach requires a systematic analysis at three levels: individual, organisational and the enabling environment.¹⁴⁵ Donors need to understand all three levels and how they can affect implementation of the contribution.

¹⁴² When checking the material, Sida pointed out that support for the agricultural sector in Zambia (ASP) is project support with a sector-wide approach. But the support was classified as a form of sector programme support in Sida's statistics for 2008.

¹⁴³ OECD/DAC p. 19.

¹⁴⁴ The reference document distinguishes between "generic capacities" (e.g. ability to plan and manage organisational changes and service improvements) and "specific capacities" in critical fields (e.g. public financial management or trade negotiation). OECD/DAC, p. 13.

¹⁴⁵ OECD/DAC, p. 8, 22.

An understanding of the partner organisation's existing capacity to implement its tasks means that the organisation should be assessed on the basis of its ability to manage and communicate its task, its financial management and monitoring, and the technical competence of its personnel.¹⁴⁶

The organisation's institutional preconditions consist of its enabling environment, but also structures of power and influence, patterns of behaviour and social norms.¹⁴⁷ A number of factors are particularly relevant here - hierarchical power structures, salary and incentive structures in public administration, clientelism or patrimonialism and entrenched corruption, but also donor support.¹⁴⁸ Sida's capacity development manual also claims that partner country needs must be analysed and understood on the basis of the specific conditions that apply in each individual context.¹⁴⁹

For these reasons, the SNAO has examined and identified the following weaknesses in Sida's assessment of the partner organisation's preconditions for absorbing support:

- Sida's assessments of partner organisations are not adequately substantiated
- the partner's financial and governance capacity is not the focus of the analysis
- Sida's assessment of political and informal factors that are significant for the results of the contribution is rarely included in the proposal
- Sida's assessment of other donors' contributions is inadequate.

The SNAO's observations are described in more detail below.

4.3.1 *Assessment of partner organisations is not substantiated*

According to the OECD/DAC, there are a number of well-known tools for organisational assessment.¹⁵⁰

The SNAO has observed that in 18 of the 40 proposals, Sida refers to studies that are in some way related to the organisation's capacity. The results of these are reproduced in assessment memos at an overall level and

¹⁴⁶ Manual for Capacity Development, p. 39–41.

¹⁴⁷ OECD/DAC, p. 13.

¹⁴⁸ OECD/DAC, p. 17.

¹⁴⁹ Manual for Capacity Development, p. 5.

¹⁵⁰ E.g. SWOT analyses and Stakeholder analyses. OECD/DAC, p. 22.

without clear references.¹⁵¹ For six of the contributions, Sida refers to special tools that were used to analyse the partner organisation's ability, leadership or technical capacity.¹⁵²

4.3.2 *Sida's assessment requirements have changed over time*

Sida's internal analysis requirements for assessing the partner's public administration capacity have changed over time. An earlier Regulation on Contribution Management dated 2001 stipulated that a capacity analysis must always be part of an in-depth appraisal.¹⁵³ When the regulation was changed in 2005, that formulation was removed.¹⁵⁴ In the latest regulation from 2008, Sida has once again tightened requirements and writes that "*Sida will assess whether the partner country systems and mechanisms for implementation, including monitoring and evaluation, can be considered appropriate.*" And "*In cases where Sida lacks documented knowledge of the partner's control environment and/or considers that there are significant risks, a revision of the internal check will be carried out before a decision is made.*"

In 1999, Sida reviewed the methods and tools that can be used to assess a public organisation's status and development.¹⁵⁵ Sida's capacity development manual mentions the existence of various methods, but does not refer explicitly to the review.¹⁵⁶

4.3.3 *Not enough focus on existing capacity*

A central commitment in the Paris Declaration is that donors must base their overall support on partner countries' existing capacity. Sida's capacity development manual also states that all support for capacity development must be based on existing capacity.¹⁵⁷ The OECD/DAC reference document also maintains that the organisation's strengths and weaknesses should be analysed.¹⁵⁸

¹⁵¹ INE Bolivia p. 10; Anticorruption, p. 3, 8, PNC p. 2; DRI , p. 3; SAKSS, p. 4, RALGA , p. 6, ZMB Financial mgt, p. 1, 2, 3; Spat Planning, p. 1, 4; LCC, p. 8; Health Sector Support; IGF, p. 9, 14, 22; EBEP II, p. 10, 13, 14, 15. New Edu, p. 10, 15; INE Moc, p. 45; Police cooperation Rwanda, p. 4; TA-AFROSAL-E p. 14; RITA, p. 8; PFM Reform Program, p. 6.

¹⁵² Anticorruption, p. 3; RALGA, p. 6; LCC, p. 8; EBEP II p. 15; PFM reform p. 6; DRI, p. 3; SAKSS, p. 4.

¹⁵³ Working with contributions in Sida's project cycle, DG decision, DG 61/01, p. 3.

¹⁵⁴ Most of the audited proposals were from this period.

¹⁵⁵ Measuring an Organization's Condition and Development, Capacity Development – Sida Working Paper No. 2 1999.

¹⁵⁶ Manual for Capacity Development, p. 38.

¹⁵⁷ Manual for Capacity Development, p. 6-7.

¹⁵⁸ OECD/DAC, p. 22.

The SNAO has observed that Sida assesses the partner's existing ability to carry out its task in 9 of the 40 audited memos.¹⁵⁹ In most cases, Sida focuses almost exclusively on weaknesses and inabilities within the organisation for performing its tasks. Neither do the attached project documents contain balanced analyses of strengths and weaknesses.

The same situation, i.e. that the capacity analyses focus mostly on weaknesses, was also noted by Sida in a report on how well the Paris Declaration's principles have been integrated into Sida's assessments. The report addressed 5 contributions for general budget support or sector programme support.¹⁶⁰

One example of how Sida focuses on partner weaknesses in its assessments is the proposal for support to the statistical authority in Bolivia. A SWOT analysis that highlights both strengths and weaknesses has been appended to the assessment memo. The analysis in the memo focuses only on weaknesses, however.¹⁶¹

Concerning support to the Ombudsman for human rights in Bolivia, however, Sida conducts an analysis of the organisation's strengths in relation to its task. In the assessment memo, Sida lists what the organisation has achieved since it was founded six years ago. Sida describes the number of parliamentary bills that the government agency has presented, how many of these have been approved in parliament, and how many cases the Ombudsman has brought to the Constitutional Court.¹⁶²

4.3.4 *No documented analysis of the partner's capacity from a financial and governance perspective*

During recent years, as a result of the Paris Declaration, the Government has increasingly shifted aid towards Programme-based Approaches. Wherever possible, these contributions will be channelled via partner country financial systems.¹⁶³

An assessment of the partner organisation's capacity in operational and financial management is fundamental for deciding whether the organisation is capable of receiving and managing support in general financing forms in line with the Paris Declaration objectives, or evaluating the support interventions that are needed to reach this goal.

¹⁵⁹ Anticorruption p. 8, INE Moc, p. 8–9 DNEAP, p. 2, 4 MR Ombudsman, p.1, 2, 4, 18; LCC, p. 5, TA-AFROSAI-E p. 7, RALGA, p. 6, ERB II, p. 5, ZMB PSM (not included in Sida's assessment memo, but can be found in a Joint Appraisal Memo between the donors).

¹⁶⁰ Review of Five Assessments for Sector Programme Support, Sida, March 2007, p. 15.

¹⁶¹ INE Bolivia, p. 4, 10.

¹⁶² MR Ombudsman, p. 4.

¹⁶³ See e.g. Sida's letter of appropriation for 2009, p. 2.

The SNAO has found that an assessment of the partner organisation's operational and financial management is included in 15 of the 40 audited contributions.¹⁶⁴ For some other contributions, the strategy is that financial aid will be channelled via the organisation when the organisation's financial management has improved. But for these contributions, Sida makes no assessment of the organisation's existing capacity or specifies the weaknesses in its management.¹⁶⁵

During the field visit to Zambia, the SNAO was informed that the Embassy had recently introduced "Pre Award Audits" for assessing partner capacity in relation to financial management and opportunities for receiving direct funding.¹⁶⁶

4.3.5 *Sida's assessment of political and informal power structures is weak*

The OECD/DAC reference document is based on the Paris Declaration's commitment to national ownership in each development process. An understanding of the partner organisation's context is fundamental.¹⁶⁷ Political leadership and the prevailing institutional framework are critical factors and can both enable and limit the results of contributions for developing capacity. There are several tools for analysing partner country preconditions and requirements. The OECD/DAC refers to Power Analysis and Drivers of Change Analysis.¹⁶⁸

Sida's capacity development policy highlights the significance of addressing both formal and informal regulatory frameworks. These terms are not defined in the policy, but Sida's capacity development manual describes the central aspects that should be addressed in this type of analysis.¹⁶⁹

The SNAO has observed that Sida has implemented power analyses at national level¹⁷⁰, and to some extent also at regional level¹⁷¹, but that there

¹⁶⁴ INE Bolivia, p. 13; New Edu, p. 16; Police cooperation, p. 4; MR Ombudsman, p. 4, 15; INE Moc, p. 8; Niassa, p. 14; RITA, p. 10, 14; Auditor General, p. 8, 15; RALGA, p. 9; Health Sector Support, p. 44, 49; ZMB Financial mgmt, p. 8, 11, 16; Wat-San, p. 15, 16, 19; UTRESP II, p. 13; DNEAP, p. 8; Anticorruption, p. 8.

¹⁶⁵ E.g. NEC; ProAgri II; AFROSAI-E; SISTAFE II; LCC; PSM Zambia.

¹⁶⁶ Field visit to Zambia 11–19 March 2009.

¹⁶⁷ OECD/DAC, p. 19.

¹⁶⁸ OECD/DAC, p. 7, 8. The document also suggests "country political economy studies" for stakeholders who are interested in promoting capacity development in a country, p. 21.

¹⁶⁹ Sida's Policy for Capacity Development, p. 9; Manual for Capacity Development, p. 41.

¹⁷⁰ See e.g. Power and Policy Slippage in Tanzania – Discussing National Ownership of Development, Hydén and Mmuya, Sida Studies no. 21; see also Power Analysis – Experience and Challenges, Sida 2006 and Rwanda Power Analysis, Jean-Paul Kimonyo, Sida, October 2008.

¹⁷¹ National Governance and Local Chieftaincy; a Multilevel Power Assessment of Mozambique from Niassa's Perspective, Åkesson and Nilsson, Sida 2006.

are no references to how these relate to the specific contributions that Sida supports.¹⁷² Neither is there any mention of the analyses in the individual proposals.

Sida normally describes the structure of the formal regulatory frameworks in the assessment memos. Sida's discussion of political contexts, the partner's willingness to change and ability to adapt is more limited. This is addressed in 14 of the 40 audited contributions. Sida assesses that continued support from the highest political level and continued willingness to change is crucial for the success of these contributions. The political conditions in the partner country are thus considered a potential risk for implementation of the contribution.¹⁷³ The Government draws similar conclusions in relation to cooperation strategies for Cambodia, Rwanda and Mozambique.¹⁷⁴

Corruption is addressed more or less explicitly in 15 of the audited contributions.¹⁷⁵ Weaknesses in the national salary system, which are often a contributing factor¹⁷⁶ to corruption and may also underlie an unwillingness to change, are rarely discussed by Sida.¹⁷⁷

The salary structure is analysed in all contributions for Cambodia. The salary structure is often considered a weak incentive for change. During the SNAO's field visit, Sida claimed this also constitutes a problem in Mozambique and Zambia but the issue is only discussed in conjunction with some individual contributions for these countries.¹⁷⁸

Several Sida reports have noted the lack of analyses of informal regulatory frameworks in Sida's assessment memos.¹⁷⁹ The OECD/DAC has also drawn attention to this factor.¹⁸⁰

¹⁷² Sida at Work explains that the main analysis takes place at national, overall level in conjunction with the design of the cooperation strategy, but that for each individual contribution, consideration must be made for how the contribution relates to the overall constraints that exist, p. 71.

¹⁷³ PFM Reform p. 10; PROAGRI II, p. 21, 25; SAKSS p. 16; UTRESP II p. 5, 11; PSDD p. 3, 5, 10; Anticorruption p. 2, 18; EBEP II, p. 20; IGF p. 18; LCC p. 14; ZMB Financial mgmt, p. 8, 16, 17; Wat-San p. 16, 18, 20,21; Ass of Munici, p. 9; TA-AFROSAL-E, p. 19; New Edu, p. 11, 19, 22, 26.

¹⁷⁴ Cooperation strategies for Rwanda p. 17, Mozambique p. 14–16, Cambodia p. 11.

¹⁷⁵ PFM Reform, p. 2, 9, 12; Anticorruption; PSDD, p. 4, 15; EBEP II p. 11, 23; IGF, p. 10; UTRESP II p. 2; LCC, p. 14; RITA, p. 14; Police Cooperation, p. 2, 15; ASP + MACO, p. 22; Health Sector Support, p. 7; Proagri II, p. 26–27; ZMB Financial mgmt, p. 18; TA-AFROSAL-E, p. 12; PRI, p. 8.

¹⁷⁶ See e.g. The Global Programme against Corruption, a UN Anti-Corruption Toolkit, 3rd Edition, Vienna, September 2004, p. 12.

¹⁷⁷ The following also contain a discussion of the national salary system: PFM Reform, p. 4, 7, 10; PSDD p. 3, 9, 10, 11; EBEP II, p. 15, 19; INE Moc, p. 10; UTRESP II, p. 11; ZMB Financial mgmt, p. 16; ZMB PSM, p. 1, 3; NIS, p. 14.

¹⁷⁸ Interviews at Sida in Mozambique and Zambia, INE Moc, p. 10, UTRESP II, p. 8, ZMB Financial mgmt p. 16 and ZMB PSM, p. 1, 3. PROAGRI II, e.g. p. 11.

¹⁷⁹ Review of Five Assessments for Sector Programme Support, Sida, March 2007, p. 15 and also In Changing Rules – Developing Institutions a Synthesis of Findings, Gun Eriksson Skoog, Sida Studies in Evaluation 2007:02, Sida.

¹⁸⁰ Peer Review of Sweden, OECD/DAC, 2009, p. 74.

4.3.6 *Assessment of other donors' contributions is inadequate*

Aid effectiveness through the harmonisation of donors' contributions is central to Swedish aid.¹⁸¹ In an effort to enhance aid effectiveness and reduce transaction costs in the partner country, the OECD/DAC reference document states that donors should avoid launching parallel contributions because this leads to a fragmentation of efforts and diverts critical resources.¹⁸² The document therefore advocates technical cooperation that is pooled and coordinated.¹⁸³

An analysis of other donors' contributions is fundamental for avoiding parallel contributions. The SNAO has observed that almost all of the audited assessment memos include a list of other donors and their contributions to the actual project or programme. For example, Sida names the role that various donors play in relation to project design, who holds the leadership role for the support, etc.

However, there is often no analysis of other donors' contributions within the sector, how these complement Sida's support, and how overlapping will be avoided. An assessment of these factors is essential for evaluating whether the partner country's transaction costs actually decrease.¹⁸⁴ There are exceptions where Sida's motivation for the significance of the contribution is that several other donors have, or are supporting interventions in the sector, and that Sida's support complements their support.¹⁸⁵ One example of a more detailed description appears in the proposal for support for PROAGRI II, where the analysis to some extent comprises donors outside the programme and the problems associated with harmonising support from these donors.¹⁸⁶

4.4 **Sida's analysis of demand and willingness to change**

The Riksdag has clarified that "*development can never be created from outside*. Development is created by people in their own society, and policy to a greater extent must therefore be based on the reality, experiences and priorities of poor people."¹⁸⁷ The partner country and organisation's ability and willingness to reduce poverty and lead the contribution are often referred to as ownership.

¹⁸¹ Section 3, Ordinance (2007:1371) with Instructions for Sida.

¹⁸² OECD/DAC, p. 8.

¹⁸³ OECD/DAC, p. 27. Pooling is an expression that relates to donors combining their resources.

¹⁸⁴ EuropeAid, Making Technical Cooperation More Effective, Guidelines No 3, March 2009, p. 17.

¹⁸⁵ Election Supp, p. 11; EBEP II, p. 10; FPS, p. 3-4.

¹⁸⁶ PROAGRI II, p. 23.

¹⁸⁷ Report 2003/04: UU3. Translated by the SNAO.

The Paris Declaration has established that capacity development is the responsibility of the partner country, but that donors can play a supporting role. According to the OECD/DAC reference document, experience shows that capacity development contributions have been and will remain ineffective as long as they are not part of an endogenous process of change.¹⁸⁸

The OECD/DAC maintains that if genuine ownership and political commitment is absent, donors should build it by strengthening client and citizen demands.¹⁸⁹ This could mean engaging the skills of the country's NGOs, think tanks and the private sector.¹⁹⁰

On this basis, the SNAO claims that Sida has not adequately accounted for the partner country's ability and willingness to change, or "ownership". The SNAO bases this statement on:

- Sida's assessment of ownership lacks specification, and client roles and demands are rarely accounted for in the proposal.
- the partner's influence on the design of the support is not clearly presented.

The SNAO's observations are described in more detail below.

4.4.1 *Sida's assessments of ownership lack specification*

Sida highlights the significance of ownership, but the assessments lack specification. The Paris Declaration states that donors should mobilise their support around partner country objectives and strategies for capacity development. The OECD/DAC underlines this, but claims that the existence of a national capacity development plan is not necessarily an indication of real commitment.¹⁹¹ A clear strategy document for capacity development is not the prime factor. The key issue is whether or not Sida integrates the document into its decisions concerning support for a project or programme.

The European Commission has established some Assessment Criteria for ownership. These include that key stakeholders have convincingly expressed commitment and demand for support, and that the commitment of the partner matches the scope of change. Finally, that partners have participated adequately in the design of the support, beyond formally endorsing proposals.¹⁹²

That ownership is central to Sida's decisions concerning support for a contribution is shown clearly by the minutes from advisory committee

¹⁸⁸ OECD/DAC, p. 15.

¹⁸⁹ OECD/DAC, p. 8, 13.

¹⁹⁰ OECD/DAC, p. 9.

¹⁹¹ OECD/DAC, p. 25.

¹⁹² EuropeAid, Making Technical Cooperation More Effective, Guidelines No 3, March 2009, p. 50.

meetings that in most cases are appended to the proposal. In these, the opponent sometimes questions the assessment of ownership in the partner organisation.¹⁹³

The SNAO has found that ownership is addressed in the majority of the audited contributions but that the assessments are often unclear. The unclear points that the SNAO has found in Sida's proposal consist of assessments that stop at the assertion that ownership exists, or assessments that contain contradictory points of view.¹⁹⁴

One example of the former category is the memo for support to the statistical authority in Bolivia. Sida writes that "INE has given positive signals by showing firm leadership and a proactive attitude in the preparatory process." This assertion is not specified any further.¹⁹⁵

One example of a contradictory perception within the framework of the same assessment memo relates to the support for strengthening capacity in debt management and financial analysis in the Ministry of Finance. Sida states that the contractor, Debt Relief International (DRI), has complained about the degree of ownership in the Ministry's earlier phases: "MoF attitude has too much been that donors should give them some experts to do that, to write the debt strategy, to advise on loans, i.e. a turn key approach." DRI therefore proposes shorter contributions in the form of workshops to develop the Ministry's own capacity. Sida assesses however that ownership is strong at an overall level: "There has been a high level of ownership of the debt strategy already approved."¹⁹⁶

Two examples of the consequences of unclear ownership analysis are found in a contribution to the Bolivian Chamber of Commerce and support for the agricultural sector (ASP) in Zambia (see Section 4.5.8. Capacity development is rarely a strategic dialogue issue). Support for the Bolivian Chamber of Commerce relates to technical expertise for producing a basic account plan. In the assessment memo from 2002, Sida claims that "the project's support and ownership in Bolivia are sound", but this is not developed further.¹⁹⁷ The agreement was then extended several times, until Sida decided to stop cooperating with the Bolivian Chamber of Commerce in March 2007 due to an "excessively low level of commitment." The partner had no budget or activity plan for the preceding year, amongst other things.¹⁹⁸

¹⁹³ Minutes from advisory committee meeting concerning ASP dated 4 June 2002, p. 3. Minutes from advisory committee meeting concerning NAC dated 2 October 2007, p. 2, and for PSM, dated 16 June 2006, p. 1.

¹⁹⁴ INE Bolivia p. 13; MR Ombudsman p. 12; PRI, p. 5–6, 9; TAF. p. 8; Niassa p. 19; ZMB PSM, p. 4; INE Moc, p. 9; DRI p. 3; PUC, p. 2.

¹⁹⁵ INE Bolivia, p. 13.

¹⁹⁶ DRI, p. 3.

¹⁹⁷ Decision INEC/NÄR448/02, 2002-07-04 and PUC, p. 2.

¹⁹⁸ Decision 44/07.

The SNAO has found some examples of assessment memos where Sida specifies the criteria for determining partner commitment or lack of ownership.¹⁹⁹ One example is support for the education sector in Cambodia. Sida's assessment that ownership has been strengthened in relation to an earlier programme period is specified by Sida's account that the partner Ministry in Cambodia has begun writing its strategic documents in Khmer rather than engaging international consultants to write them in English, as was previously the case.²⁰⁰

4.4.2 *Few references to demand as a means for increasing capacity*

The SNAO's audit shows how accountability, transparency and non-discrimination are expressed as the guiding principles for Swedish cooperation in all of the case study countries. This core approach is not equally as clear in the individual contributions, however.²⁰¹ Of 40 audited proposals, only 9 highlight the significance of client demand, or the role of citizens and other stakeholders in implementing the contribution.²⁰²

During field visits, the SNAO noted the emergence of a more strategic effort to support the clients' role and demand that was linked to the sectors where Sida is active.²⁰³

4.4.3 *Partner influence on the design of support is not evident*

According to the European Commission, partner influence on the design of a contribution is crucial for strong ownership and in the long run, successful results. The SNAO has observed that Sida consistently provides weak descriptions of the person responsible for designing the contributions. For 33 of the 40 audited contributions, it is not possible to determine how much the partner has contributed or influenced the design of the contribution, and whether an external party will be contracted to contribute technical expertise.²⁰⁴

¹⁹⁹ EBEP II, p. 5; NEC, p. 12; NIS, p. 12; SISTAFE p. 11; ZMB Financial mgmt, p. 10.

²⁰⁰ EBEP II, p. 5.

²⁰¹ A decision on the audited contributions has been adopted before the approach was designed.

²⁰² New Edu. p. 20; INE Moc, p. 4; NEC, p. 5-6; Police Cooperation, p. 8; ASP+MACO; Health Sector Support, p. 36; ZMB PSM, p. 3-4, ZMB Financial mgmt, p. 4, Auditor General, p. .

²⁰³ See also The Swedish Embassy's Support to Mozambican Civil Society Organizations, Guidelines, 2009-02-05 No 8/09, dated 2009-02-06. A similar strategy effort is also taking place in Zambia according to information from the embassy in conjunction with a clearance process on 2009-10-04.

²⁰⁴ For seven contributions, it appears that the partner has participated in designing the support: DNEAP, p. 7; DRI p. 1; NIS, p. 7, 9; Health Sector Support; Anticorruption, p. 14; LCC, p. 12; ZMB Financial mgmt, p. 2-3.

In some assessment memos, Sida emphasises the importance of securing the partner's continued ownership and commitment to the process²⁰⁵ but few contributions contain specific measures for how this can be achieved.²⁰⁶

During the field visits, the SNAO observed some examples of projects that Sida has initiated to promote some type of strategic competence in partner organisations.²⁰⁷ In two memos, Sida itself raises the issue that the contribution is donor-led, but claims this is necessary because the partner lacks expertise²⁰⁸. Observations made by the SNAO during the field visits indicate that partner needs and ownership in relation to the support were unclear.²⁰⁹

Several of Sida's contributions are based on support for the partner's strategic plan. The SNAO has noted that external consultants and donors have often played a major role in designing the contributions and the partner's actual strategic plan.²¹⁰

4.5 Sida's assessment of the implementation

The OECD/DAC reference document highlights that capacity development support will focus on the specific expertise that is needed to achieve certain specific objectives, rather than generic capacities. This means for example that support should be complemented with support for strengthening results-based management and accountability functions within partner organisations.²¹¹ The OECD/DAC reference document maintains that agreement between donors and partners on the expected results is central. The choice of relevant support modalities should be based on these goals. The choice of support modality should be based on cost-effectiveness, not what individual donors can offer.²¹²

²⁰⁵ INE Bolivia, p. 23; INRA p. 8; UTRESP II, p. 11; LCC, p. 14; ZMB Financial mgmt, p. 10; NIS p. 9; SAKSS, p. 15.

²⁰⁶ E.g. NEC, p. 9, 12; Police Cooperation, p. 12, 13; DRI, p. 3.

²⁰⁷ SAKSS, p. 11, 15, 20, Niassa and DNEAP (field visit to Mozambique 2–10 March 2009) and Health Sector Support (field visit to Zambia 11–19 March 2009).

²⁰⁸ SAKSS and ASP/MACO. This problem also applies in relation to establishing a special development secretariat (GED) in Niassa.

²⁰⁹ All field visits (Cambodia 26–30 January 2009, Mozambique 2–10 March 2009 and Zambia 11–19 March 2009).

²¹⁰ INE Bolivia, p. 23, LCC, ASP/MACO p. 3, EBEP II p. 4–5, TAF, p. 3, Anticorruption, p. 17. INRA p. 2, IGF (field visit to Mozambique 2–10 March 2009), NIS, p. INE Moc, p. 4, Police cooperation, TA Mozambique, p. 4: Auditor General.

²¹¹ OECD/DAC p. 13, 26.

²¹² OECD/DAC, p. 9. This can mean that national suppliers should be contracted, or that "south-to-south learning" should be considered, p. 28–29.

In addition to formulating the objectives clearly, the OECD/DAC highlights the importance of assessing the most suitable methods for reaching the objectives.²¹³

According to the OECD/DAC reference document, capacity development contributions can contain more than financial aid and technical assistance. Donors can also contribute to capacity development by taking part in relevant policy dialogue or advocacy.²¹⁴

For these reasons, the SNAO has audited and found the following weaknesses in Sida's assessment of how capacity development should be achieved in practice:

- Absence of clear results-based goals and baseline studies for comparing results
- Phasing out is rarely addressed
- Sida's proposals lack clearness regarding the design of the contribution, i.e. who will implement the contribution and how
- Proposals are unclear in relation to using national systems
- Dialogue as an instrument for advocacy is not clearly developed and cannot therefore be monitored.

In addition, the SNAO has found that Sida's analyses of the cost-effectiveness of contributions are inadequate. The SNAO's observations are described in more detail below.

4.5.1 *Absence of results-based goals and baseline studies*

Both the OECD/DAC reference document and Sida's manual are clear regarding the importance of setting realistic objectives.²¹⁵ Sida's capacity development manual states that an analysis of the existing situation is a precondition for setting clear and results-based goals.²¹⁶

The SNAO has observed that Sida discusses a contribution's objectives in 15 of 40 contributions.²¹⁷ In two of the assessment memos, Sida makes an explicit assessment of whether the objectives are realistic and attainable.²¹⁸ However, most of the objectives related to capacity development in the partner's organisation are intended to "strengthen or increase institutional capacity", which is a difficult objective to monitor.

²¹³ OECD/DAC, p. 28.

²¹⁴ OECD/DAC, p. 12.

²¹⁵ Manual for Capacity Development, p. 44.

²¹⁶ Manual for Capacity Development, p. 39-41.

²¹⁷ INE Bolivia, p. 5; Anticorruption, p. 5, 14, 15; Wat-san, p. 1; PUC, p. 8; PFM Reform, p. 6-7; EBEP II, p. 9, 13; SISTAFE II, p. 4-5; DRI, p. 2-3; UTRESP II, p. 6-8; Proagri II, p. 17; Auditor General, p. 13; NEC, p. 12; NAC, p. 8; ZMB Financial mgmt, p. 11-12; ZMB PSM, p. 5; PSDD p. 8-9.

²¹⁸ Auditor General, p. 13; NEC, p. 12.

In the audited contributions, Sida's proposals express a general expectation of what the contribution will lead to, i.e. the importance of strengthening a certain reform or institution, rather than discussing the specific results that the contribution and its design will create.²¹⁹ For example, the need for support is sometimes motivated by claiming that overall effectiveness in the sector needs to be improved, and that this can be achieved by strengthening the organisation in question. One example of this is support for FAM, an umbrella organisation for local authority associations in Bolivia. In the assessment memo, Sida writes that the expected results of the support are that the organisation can continue to exist and carry out its tasks. The contribution will financially support the organisation's implementation of its strategic plan. Sida does not assess how the organisation will implement its plan.²²⁰

The SNAO has also observed that Sida often assesses the partner's capacity in terms of trends, i.e. the improvements have been achieved during a previous agreement period in relation to an earlier, worse position, but with no reference to the partner's situation and capacity before the support was designed.²²¹

All of the audited case study countries contain examples of where Sida has allowed the contractor to identify support needs. Only then were effective programmes designed. In four contributions, the implementation had not been specified when the decision was adopted, with the motivation that implementation would be planned during the agreement period. This also means that no clear results-based goals had been identified when the contributions started, and that goals were formulated at an overall level.²²² Sida has decided to finance long-term expertise in connection with the contributions without making an assessment of the support that would be needed.²²³

The OECD/DAC Peer Review of Sweden maintains that, in addition to clearly defined objectives, there must also be an assessment of how realistic the objectives are and a reasonable timeframe for achieving them. One example is Mozambique, where Sida has provided ongoing support to the same organisations for decades without defining clear timeframes or its own phase-out.²²⁴

²¹⁹ This is especially clear in 12 contributions: MR Ombudsman, p. 7; PSDD, INE Moç; IGF, DNEAP, TA-AFROSAI-E, Auditor General, NEC, Spat Planning, NAC, ZMB PSM, UTRESP II; FAM, p. 1. However, there are also exceptions, e.g. support for DRI p. 2; SISTAFE II, p. 3–4.

²²⁰ FAM, p. 1.

²²¹ NIS, p. 2; PSDD, p. 10; NAC; p. 14–15; MR Ombudsman, p. 1; Niassa, p. 20; UTRESP II, p. 5; EBEP, p. 17.

²²² ASP, p. 12; SAKSS, p. 8; RALGA, p. 6; Police Cooperation, p. 7.

²²³ NIS, LCC and Health Sector Support, field visits and interviews at Sida and SCB.

²²⁴ Peer Review of Sweden, OECD/DAC, 2009, p. 74.

Yet another example of this can be found in Sida's proposal for support to the northern province of Niassa in Mozambique. The goal for supporting Niassa is to help create preconditions for reducing poverty in Niassa Province.²²⁵ A number of studies were carried out at the beginning of the support period, from 1997 to 1999, but neither the original assessment memo nor the memos that constituted the basis for continued support contain either monitorable targets or a timeframe.²²⁶ Not until Appendix 3 to the decision, comprising minutes from Sida's advisory committee meeting, does it emerge that the vision for the province is a 20-year development cooperation.

A pilot phase for support to the province administration was started in 2001. This has primarily been designed as regional budget support.

This idea was developed in the appraisal analysis in 1997. In 2006, Sida writes that "it is difficult to clearly assess the effectiveness of the support in any quantifiable way as to date no measurable indicators have been specified." In the same memo, Sida writes that an analysis of the baseline study will be implemented during 2006.²²⁷ No such study had taken place when the SNAO visited Niassa in March 2009. Unclear results for support to the provincial administration in Niassa are also presented in the results analysis for the previous cooperation strategy period.²²⁸ In the current cooperation strategy, the Government writes that Sweden should cooperate with the province, but that forms for cooperation will be reviewed during the strategy period.²²⁹

4.5.2 *Phasing out is rarely addressed*

The SNAO has also found that in 15 of the 40 audited contributions, there is discussion as to whether or not support will continue after the currently approved period.²³⁰ Of these 15 contributions, 6 contain a clear discussion

²²⁵ Decision AFRA 238/99 for contribution 23000008 dated 1999-10-22, p. 2.

²²⁶ Decision AFRA 238/99 for contribution 23000008 dated 1999-10-22 and appendices. The decision also states that a baseline study will be implemented during 1999: Promoting Sustainable Poverty Reductions at Local Level, some options for cooperation between Mozambique and Sweden in Niassa or Cabo Delgado, a prefeasibility study carried out by a joint Mozambican-Swedish team, 28 April–30 May 1997; and later decisions for Niassa.

²²⁷ Niassa, p. 19. A "power assessment" of Niassa was carried out in 2006; National Governance and Local Chieftaincy, a Multilevel Power Assessment of Mozambique from Niassa's Perspective, G. Åkesson and A. Nilsson.

²²⁸ Results analysis for Mozambique 2002–2006, p. 19–27.

²²⁹ Cooperation strategy for Mozambique, p. 7, 13.

²³⁰ SISTAFE II, p. 17; PROAGRI II, p. 35; PFM reform, p. 20; UTRESP II, p. 17; NEC p. 19; RALGA p. 15; MR Ombudsman, p. 18; Wat San, p. 25; DNEAP, p. 9; IGF, p. 21; TA AFROSAI-E, p. 27; Health Sector Support, p. 50; Auditor General, p. 21; PSDD, p. 1; PRI, p. 16–17.

of the timeframe that will apply for continued support.²³¹ In the memo for support for public financial management reform in Cambodia for example, Sida writes that support should also be provided for the next phases of the reform, which would entail at least another five years after the agreement period ends.²³² The remaining 9 contributions contain discussion about an eventual withdrawal of support when the approved agreement periods end.²³³ It is not clear whether Sida's support will continue for these contributions or not.

The SNAO has not found one single contribution with a discussion of how support will be phased out in the future when it is no longer required.

Sida's Regulation on Contribution Management states that Sida must reach a timely agreement with the cooperation partner concerning continuation or termination of the cooperation.²³⁴

The EU agreement concerning division of labour between the donors, which will be implemented by donors concentrating their contributions to fewer sectors, stipulates clear communication with partner organisations concerning plans for phasing out.

During the field visit to Mozambique, several beneficiaries claimed they did not know whether Sida intended to continue providing support or not.²³⁵ The OECD's review of Sweden's development cooperation questions Swedish aid to several Mozambican organisations for several decades and writes: "Notwithstanding the low base for Mozambican capacity inherited from the colonial and conflict years, this raises concerns about whether sustainable capacity is really being built, and whether objectives and exit strategies are clear."²³⁶

During its field visit to Zambia, the SNAO was informed that Sida had made a decision concerning a new bilateral project to support the municipal technical administration in Lusaka. This was despite the fact that when the decision was adopted, Sida knew it would withdraw from the sector due to an agreement on sector concentration between donors and the Zambian

²³¹ SISTAFE II, p. 17; PROAGRI II, p. 35; PFM reform, p. 20; UTRESP II, p. 17; NEC, p. 19; RALGA, p. 15.

²³² PFM reform, p. 20.

²³³ MR Ombudsman, p. 18; Wat San, p. 25; DNEAP, p. 9; IGF, p. 21; AFROSAI-E, p. 27; Health Sector Support, p. 50; Auditor General, p. 21; PSDD, p. 1; PRI, p. 16–17.

²³⁴ Sida's Regulation on Contribution Management, section 4.3.3. This formulation also applies for the previous Regulation on Contribution Management.

²³⁵ Field visit to Mozambique 2–10 March 2009.

²³⁶ Peer Review of Sweden, OECD/DAC, 2009, p. 112.

Government.²³⁷ When checking the facts for this report, Sida claimed that the decision to nonetheless continue providing support could be motivated by the fact that the donors should not withdraw support that was well advanced in the appraisal phase, and that exiting from the sectors would be carried out over a period of years. This was not communicated clearly in Sida's proposal, however.²³⁸

4.5.3 *Uncertainties regarding design of the contribution*

The OECD/DAC claims there are no simple yes/no answers to how contributions for developing capacity should be designed, but that there must be a link between the desired outcomes and the activities that the contribution intends to pursue. The OECD/DAC maintains that a clear formulation of objectives must be combined with an assessment of whether the intended methods are the most appropriate way of supporting capacity development.

In almost all of the audited contributions, the implementation is not clearly described including the degree of external technical expertise that will be engaged. The SNAO has observed that only 10 of the 40 audited contributions assess whether the intended activities are relevant for attaining the partner's goals.²³⁹ Few of these assessments are explicit. One example of an exception is support for the National Aids Commission in Zambia. In the memo, Sida writes "A summary of activities to be carried out under the NAC strategic plan is annexed. The activities proposed are realistic and include strategic issues that will help NAC consolidate its strategic role in Zambia's fight against HIV/AIDS ... The budget and work plan ... have been jointly assessed as reasonable."²⁴⁰

In most of the audited contributions, the country's government receives the financial assistance, while other contracted parties implement the actual support. The implementing parties can range from a Swedish government agency to Swedish or international consultants, or an international organisation, often a UN body.

The SNAO has observed that in most of the contributions, however, the contractor has not been identified.²⁴¹

²³⁷ Interviews at Sida in Zambia and decision concerning support for LCC ref. no. Zam 97/06 as per 2006-06-14.

²³⁸ LCC.

²³⁹ 30 of 40 contributions. An assessment of the implementation can be found in Auditor General, p. 11; NEC, p. 11; Anticorruption, p. 14–15; NIS, p. 12; Proagri II p. 17; IGF, p. 13; ZMB Financial mgmt, p. 8; NAC, p. 10, PUC, p.7–8; DRI, p. 3.

²⁴⁰ NAC, p. 10.

²⁴¹ New Edu; TAF; Anticorruption; MR Ombudsman; PNC; FPS; PRI; Ass. of Munici; PUC; Niassa; UTRESP II; Proagri II; RITA; RALGA; Spat Planning; LCC; NAC; ASP/MACO; Health Sector Support; ZMB PSD; ZMB Financial mgmt; ZMB PSM.

When a country's government is both the beneficiary and implementer of the support, Sida allows the beneficiary to procure the services that it considers relevant. The SNAO has observed that none of the audited assessment memos contain an assessment of the organisation's capacity to procure the services that are needed to achieve the desired goals. Sida's procurement guidelines stipulate that this type of assessment is required in both the cooperation strategy process and the project assessment of a specific contribution.²⁴²

The SNAO has also found that 6 of the 40 audited contributions state clearly that a special project implementation unit is linked to the contribution.²⁴³ Many development projects use separate project implementation units²⁴³ to implement the donor-financed project or programme. In the Paris Declaration, donors jointly commit to avoiding separate, or parallel, structures for managing and implementing aid-financed projects and programmes.²⁴⁵ According to the OECD/DAC, parallel project implementation units are not consistent with good practice²⁴⁶ because they divert critical resources from other government functions and work against public sector capacity, which is not sustainable in the long-term.²⁴⁷

Sida's Regulation on Contribution Management stipulates that Sida will not implement development contributions, but that Sida is responsible for analysis, assessment, decisions concerning Swedish contributions, transferring funds, dialogue with the cooperation partner and monitoring the Swedish contribution. The SNAO has observed that the boundary between these roles is unclear, however. In support to Niassa province in Mozambique, Sida's field representative plays an active role by helping the province administration plan and monitor its budget.²⁴⁸ As this support otherwise comprises budget support for public administration, without earmarked support for capacity development, Sida's role as a dialogue partner borders on an implementing role.²⁴⁹

²⁴² These guidelines are described in the DG decision 2008-023413, and in the previous procurement guidelines dated 2004-11-01, DG decision 115/04.

²⁴³ SISTAFE II, UTRESP II, ZMB Financial mgmt, ZMB PSD; PRI and TAF.

²⁴⁴ The OECD/DAC uses Project Implementation Unit (PIU) to describe a separate project office that reports and monitors whether activities comply with special requirements, in addition to its normal reporting tasks. A PIU is considered parallel when it is created and operates outside of existing country institutional and administrative structures upon the request of one or more donors.

²⁴⁵ The Paris Declaration, p. 5.

²⁴⁶ OECD/DAC, p. 5. The Paris Declaration defines objectives for reducing the number of parallel project implementation units in partner countries.

²⁴⁷ OECD/DAC, p. 9.

²⁴⁸ Interviews at Sida and the results analysis for Mozambique, p. 27.

²⁴⁹ This emerged during the field visit to Mozambique between 2–10 March 2009, but is not described in Sida's proposal.

4.5.4 *Weak analyses of cost-effectiveness*

According to the OECD/DAC reference document, a discussion on cost-effectiveness should always be included when choosing the most effective form of support and contractor. This means specifically that an exchange of capacity between developing countries, known as South-to-South learning, should be considered.²⁵⁰

The SNAO has found that Sida conducted cost-effectiveness assessments of 13 contributions.²⁵¹ The proposals for several of these 13 contributions contain the assessment that the beneficiary can manage the support itself, and that supporting the organisation via a consultant is unnecessary. Another frequent assessment is that support will be more cost-effective if it is channelled via a common fund, where several donors participate.²⁵² There is rarely a combined assessment of the various aspects that can influence the contribution's cost effectiveness, such as using international experts, using short-term contributions compared to experts who are stationed in the country for a number of years, using local or regional experts, etc.²⁵³

In the assessment memo for support to the Rwanda National Police, Sida writes that 65 per cent of the costs for the first year cover remuneration, accommodation and travel for the Swedish Police. Sida does not consider this an issue, but hopes that a greater proportion of the support will go to the Rwandan police in future. This support is channelled entirely through the Swedish National Police Board in Stockholm in line with the Adaptive Agreement.²⁵⁴ The same applies for the ESV's support for the internal audit in Mozambique, and for the institutional cooperation between Statistics Sweden and the statistical authorities in Bolivia and Cambodia. Sida does not carry out similar analyses for the latter contributions, however.

In six contributions, local actors are used for the implementation.²⁵⁵ One of these proposals refers to enhanced cost-effectiveness.²⁵⁶

²⁵⁰ OECD/DAC, p. 9, 28–29.

²⁵¹ RALGA p. 4, 11; NEC p. 12; DRI p. 3; SISTAFE II, p. 8–9; EBEP II, p. 14; Anticorruption, p. 15; TAF, p. 6; PRI, p. 9; FPS, p. 5; Auditor General, p. 14; PROAGRI II, p. 1; Health Sector support, p. 27; NEC, p. 10.

²⁵² RALGA p. 4, 11; NEC p. 12; PROAGRI II, p. 19.

²⁵³ Exceptions are DRI, p. 3 and Auditor General, p. 14.

²⁵⁴ Police cooperation, p. 17.

²⁵⁵ EBEP II, p. 17; Wat San, p. 9; PNC, p. 5; OAG, p. 14; TA AFROSAI-E; Police Cooperation, p. 13.

²⁵⁶ Auditor General, p. 14.

4.5.5 *Inadequate assessment of Swedish government agencies as implementers of Swedish aid*

In the audited assessment memos, Sida rarely discusses the contractor's expertise and ability to deliver the support that is required.²⁵⁷ No assessment is made of the Swedish government agencies' ability to implement the support in the procurement process because the Act on Public Procurement (2007:1091) does not apply according to current case law.

Sida engages Swedish government agencies on a relatively broad basis. Sida assigns government agencies to implement aid contributions with support for capacity development in partner country authorities. Sida uses framework agreements (Följsamöverenskommelsen) for cooperation with government agencies. These agreements imply that the agency acquires greater responsibility for implementing the development cooperation, including quality assurance.²⁵⁸

"Följsamöverenskommelsen" are used for cooperation with agencies that Sida considers to have a "high level of expertise and long experience of development cooperation."²⁵⁹ An assessment of the current agencies was carried out before the agreements were introduced according to Sida, but these assessments were never documented.

A structured quality assurance of a Swedish agency's capacity to implement aid on behalf of Sida has been carried out in the form of a system based audit of the Swedish National Police Board's international operations in 2007.²⁶⁰ One of the recommendations was to review the formulation of the division of responsibility between the Swedish National Police Board and Sida in the "Följsamöverenskommelsen" agreement. The organisation that held overall responsibility was not clear.²⁶¹

No similar overviews of other Swedish agencies have been carried out.

²⁵⁷ There are some exceptions: INE Bolivia, p. 12; FPS, p. 5; Anticorruption, p. 14 and ass. of Municip. p. 6.

²⁵⁸ The agreement sets out the regulations that apply if the agency is contracted for an assignment by Sida. It regulates e.g. the costs that Sida will compensate. The agreement also stipulates that Sida is entitled to demand that key individuals at the agency are not replaced. See e.g. the framework agreement between Sida and SCB, Sida ref. no. 2002-0879, June 2004.

²⁵⁹ Sida's cooperation with Swedish actors in line with the Policy for Global Development (PGU), Memos, Ulrika Lång, Sida, 2005-09-26.

²⁶⁰ System based audit of the Swedish National Police Board (SNPB), Waern, Segergren, Svensson. Final report, dated 2008-02-14. The study was carried out during 2007.

²⁶¹ System based audit of the Swedish National Police Board (SNPB), p. 8.

4.5.6 Use of national systems unclear

According to the OECD/DAC, the overarching principle for supporting capacity development is that support will be channelled through country systems and processes. Implementation, monitoring and evaluation of capacity development contributions should, wherever possible, be integrated within country systems.²⁶²

The Government states clearly that Sida will increase the proportion of sector programme support, and support that uses partner country systems. For Sida, the starting point is a preference for Programme-based Approaches. The guidelines for sector programme support state that deviations from a Programme-based Approach must always be motivated.²⁶³ However, this governing document gives no support for how contributions that aim to develop capacity will be linked to or integrated with sector programme support. This is explained in another method document for sector programme support.²⁶⁴

The results analysis for the previous cooperation period with Mozambique²⁶⁵ indicates that Sida's main contribution to building capacity in the partner country system was the actual use of these systems.²⁶⁶ The basis for this conclusion was an internal memo from a mission abroad.²⁶⁷ The SNAO found a similar approach, i.e. building capacity by using countries' own systems, during the field visit in Zambia. In Mozambique, like Zambia, there was an obvious ambition to increase the channelling of resources via partner country systems. This approach was not equally explicit for Sida in Cambodia.²⁶⁸

The assessment memos for support to two sector programmes, in Cambodia and Zambia, show the dilemmas that can arise when moving towards more general types of support. The goal for education support in Cambodia has long been a transition to sector programme support.²⁶⁹

²⁶² OECD/DAC, p. 32.

²⁶³ Guidance on Programme-based Approaches, p. 14.

²⁶⁴ How to start working with a Programme-based Approach, p. 12. For a discussion of Sida's various governing documents, see section 4.1.

²⁶⁵ Results analysis for Mozambique, p. 3.

²⁶⁶ This type of discussion can also be found in the assessment memo for PROAGRI II, and support for Niassa.

²⁶⁷ "How best to contribute to capacity development remains a site of dissent and methodology diversity between the donors and within the government. Perhaps Sweden's ventures into broad sector support or support with a broad institution-building approach were those which build capacity best." Quote from results analysis for Mozambique 2002–2006, p. 3.

²⁶⁸ All field visits (Mozambique 2–10 March, Zambia 11–19 March and Cambodia 26–30 January 2009).

²⁶⁹ Cooperation strategy for Cambodia 2008–2010, p. 4. This ambition already existed during the previous programme period for education support, which was also evident from the previous cooperation strategy (2002–2006), see p. 17, see also EPEP II p. 4.

The memo points to problems with resource allocation in the Ministry of Education.²⁷⁰ In another case, budget support for the sector is planned for 2008, by which time financial reporting should have improved, in line with planning within the framework of public financial management reform.²⁷¹ Despite this approach, however, no reference is made to the resource management problems that Sida previously reported in the same proposal. The SNAO's visit to Cambodia revealed that Sida aimed to adopt a programme-based approach but lacked a strategy for how support to the education sector could be converted, such as additional measures that would be needed in the Ministry of Education.

The assessment memo for support to the health sector in Zambia discusses opportunities for strengthening national ownership and reducing transaction costs for the Ministry of Health by making a transition to general budget support. At the same time, Sida highlights the risk that the Ministry of Health may not be allocated the same amount of resources from the national budget.²⁷² The memo does not mention what a transition to budget support could entail for continued capacity development in the Ministry of Health, or whether the Ministry is capable of handling the issue on its own. Also worth mentioning in this context, is that the Ministry of Health's capacity for handling financial resources is not discussed in the assessment memo.

In the case of support for the agricultural sector in Zambia (ASP), Sida has moved in the opposite direction.²⁷³ A project solution is suggested in the proposal for new support for the period 2003–2007 where the Ministry at central level is intentionally bypassed, and support is channelled via a consultant procured by Sida.²⁷⁴

Sida's proposal for the period lacks a coherent assessment of the Ministry's capacity, but contains several contradictions. The Ministry's planning capacity is considered inadequate (due to "political involvement and structural weaknesses"), but with support from Sida the Ministry has also produced the sector plan which provides a starting point for Sida's support in the next phase.²⁷⁵ The sector plan, which has been adopted by the Zambian Government²⁷⁶, means however that the Ministry's role

²⁷⁰ EBEP II p. 16.

²⁷¹ EBEP II p. 24.

²⁷² EBEP II, p 20, 24. The problems also apply for Health Sector support, p. 29, 49.

²⁷³ The support was previously channelled (1999–2002) via the Ministry for Agriculture and designed as sector programme support. ASP, p. 4.

²⁷⁴ ASP, p. 11.

²⁷⁵ ASP, p. 8 and p. 13.

²⁷⁶ ASP, p. 9.

will decrease in favour of local agricultural administration.²⁷⁷ The sector plan then constitutes a basis for Sida's decision to channel support via a consultant and to bypass the Ministry. Sida maintains in the proposal, however, that earmarked support for developing the Ministry's planning capacity is essential for strengthening its link to local administration.²⁷⁸ Even though the Ministry's capacity is considered weak, the Ministry will chair the steering committee for the project according to Sida's proposal.²⁷⁹

When the SNAO visited Zambia, the project had recently terminated. The SNAO could confirm, however, that the project implementation unit was physically located just outside the Ministry. Representatives of the Ministry claimed that the project had been managed without their involvement.²⁸⁰ Sida's proposal for the period in question lacks a plan for how project responsibility could be transferred to the Ministry. The proposal also lacks an analysis of other donors' contributions in the agricultural sector.²⁸¹ A new project was being prepared for the agricultural sector when the SNAO visited Zambia, based on the same model as the previous project.²⁸²

In some cases, Sida considers public finances and public administration as crucial to whether budget support should begin or continue.

This is critical in the proposals for governance support to Mozambique, Zambia and Cambodia.²⁸³ There are no similar discussions for Rwanda and Bolivia, however.

4.5.7 *Cooperation with Swedish agencies can limit opportunities for Programme-based Approaches*

The SNAO has observed two examples of when institutional cooperation between Swedish government agencies and their counterparts has led to project support with relatively few points of contact with public administration in general.²⁸⁴ One example is the statistical cooperation between Statistics Sweden (SCB) and the national statistics office (NIS) in Cambodia. An independent evaluation has shown that support from SCB focuses more on gathering statistical data than building capacity. The

²⁷⁷ ASP, p. 11 and p. 15.

²⁷⁸ ASP, p. 11.

²⁷⁹ ASP, p. 17.

²⁸⁰ Field visit to Zambia 11–19 March 2009. During the clearance process on 2009-10-16, however, the Embassy points out that the Ministry participated in the project's quarterly meetings.

²⁸¹ ASP, p. 16 contains a short list.

²⁸² During the clearance process on 2009-10-16, the Embassy maintains that the aim is to integrate the project into the Ministry during the next project period.

²⁸³ SISFTAFE II, IGF, AFROSAI-E, ZMB Financial mgmt and PFM reform.

²⁸⁴ NIS, IGF.

results of the project were therefore more related to statistical products than strengthened capacity. The evaluation maintains in addition that experience has shown how access to statistics does not automatically create a demand for statistics.²⁸⁵ The evaluation also claimed that other parts of the statistical system did not receive adequate support. Sida's support is restricted to NIS as an organisation, with limited consideration for the statistical sector in general. Sida has decided to continue supporting NIS through SCB for another three years.²⁸⁶

In Mozambique, the Swedish National Financial Management Authority (ESV) cooperates with the Internal Audit Authority (IGF). During the SNAO's field visit to Mozambique, it emerged that other donors in the working group for financial management claimed that Sida's cooperation with the ESV had delayed a Programme-based Approach, and therefore an overall strategy for internal audits and internal management and control in the country. Support from the ESV has mainly focused on strengthening the IGF as the central authority for internal governance and control.²⁸⁷

The agreement (Följsamöverenskommelsen) between Sida and Swedish agencies that work with development aid stipulates that Sida will reimburse the agencies directly for services performed within the framework of the aid. Payment goes via the Swedish agency, but is conditional upon the partner country authority's approval of each disbursement. Disbursements will correspond with the agreed budget and working plan for the project. This agreement does not reflect the Government's ambition to increase the proportion of support that flows through partner country systems.

4.5.8 *Capacity development is rarely a strategic dialogue issue*

According to the OECD/DAC reference document, contributions for developing capacity are not confined to financial aid or technical assistance. Donors can also play key roles by participating in relevant policy dialogue or advocacy.²⁸⁸ The OECD/DAC reference document does not give any specific guidance concerning the role of dialogue in individual capacity development support. Sida's Regulation on Contribution Management from 2008 states clearly that dialogue must be based on desired outcomes and be strategic.²⁸⁹

²⁸⁵ Evaluation of Support to Statistical Capacity Building, Cambodia Country Case Study, DFID (MacAuslan, I and Spanneut, C) DFID REF: EVD: 051, p. 9.

²⁸⁶ Decision on support for NIS on 2009-03-27.

²⁸⁷ Field visit to Mozambique 2–10 March 2009 and interview with the ESV's representatives in the field and in Sweden.

²⁸⁸ OECD/DAC, p. 12.

²⁸⁹ Sida's Regulation on Contribution Management, point 4.3.2.

The role of dialogue in the implementation of development cooperation has become increasingly important as more donor support is channelled through common forms with a sector focus. This has also meant that dialogue has shifted from a bilateral dialogue between Sida and beneficiaries within the framework of individual projects, to a political dialogue.²⁹⁰

The SNAO has observed that capacity development as a dialogue issue is not clearly developed in the assessment memos. In 16 of 40 contributions, capacity development has been identified as a dialogue issue that Sweden should lead, but usually without any further clarification.²⁹¹

The SNAO has also observed that dialogue issues are rarely divided according to Sida's intended target group. In other words, whether the issue relates primarily to cooperation with other donors within the working group, or concerns the beneficiary but should be conducted via other donors' coordination mechanisms (in cases where another donor is responsible for coordination).

One exception is support for the education sector in Bolivia. In the assessment memo, Sida writes that sector programme support donors agreed unanimously on the issues that are identified for continued dialogue. The dialogue issues, where one of seven relates to governance issues and financial management in the Ministry of Education, are appended to the Memorandum of Understanding that has been signed between the Bolivian Government and the donors.²⁹²

The SNAO has noted, however, that monitoring the extent to which the identified dialogue issues actually influence Sida's advocacy, either in relation to the cooperation partner or other donors, is not possible. Joint minutes should not contain the conclusions of individual donors, for example. There are no directives within Sida that programme officers should write their own minutes for the strategic dialogue issues they have led in various forums. This also means that determining how these promote capacity development is impossible.

4.6 Sida's "lessons learned" from capacity development

The OECD/DAC reference document claims that capacity development contributions should be designed to maximise learning at three levels: the enabling environment, organisational and individual. An overall goal is to build shared understanding about what works and what doesn't.²⁹³

²⁹⁰ This discussion has also been presented in the results analysis for Mozambique, p. 6.

²⁹¹ New edu, p. 29; Wat-san, p. 24; Police cooperation, p. 14; MR Ombudsman, p. 17; INRA, p. 8; NIS, p. 17; PFM reform, p. 19; SISTAFE II; TA AFROSAI-E; RITA; Auditor General; NEC; RALGA; ASP/MACO; ZMB Financial mgmt; ZMB PSM.

²⁹² New edu, p. 29.

²⁹³ OECD/DAC, p. 9, 31.

The OECD/DAC reference document maintains that monitoring should preferably be carried out by independent assessors. The focus should lie on how donors apply the Paris commitments and better tracking of how money is spent on capacity development contributions. The monitoring of programmes should focus on intended outcomes, so that relevant learning can be fed back into future programme management and design.²⁹⁵ This assumes that relevant indicators, quantitative or qualitative, have been defined from the start.²⁹⁵

On this basis, the SNAO has found that Sida's learning experience from monitoring and evaluation has weaknesses. The SNAO bases this statement on the fact that:

- Sida's purpose for project evaluations is sometimes unclear
- Project evaluations are not quality assured on a regular basis. Sida often uses previous experiences when designing new support, but the learning process lacks a systematic approach
- The results analyses from the cooperation strategy periods provide limited opportunities for comparing the experiences of different countries.

The SNAO's observations are described in more detail below.

4.6.1 *Unclear purpose for project evaluations*

In most of the assessment memos, Sida describes clearly how monitoring will take place.²⁹⁶ The terms for all contributions are regular reporting. However, only 11 of the 40 audited contributions mention whether evaluations will be carried out or not²⁹⁷.

According to the OECD/DAC, an evaluation should be independent in order to avoid unclear roles between donor and beneficiary. When checking the archived contribution documentation during the field visits, however, it emerged that the evaluations have not always been independent. In some contributions, the same consultant had evaluated the contributions two or more times in a row, or participated in the continuous monitoring process in addition to the evaluations. There was no motivation for why this was necessary.²⁹⁸

²⁹⁴ OECD/DAC, p. 9.

²⁹⁵ OECD/DAC, p. 32.

²⁹⁶ Not present at all in Niassa, and the monitoring process is still not fully developed for SAKSS p.19.

²⁹⁷ INE Bolivia, MR Ombudsman, Ass of Munici, NIS, DRI, RITA, Auditor General, LCC, Health Sector Support, ASP+MACO and ZMB Financial mgmt.

²⁹⁸ EBEP II, PSDD, Niassa, IGF.

4.6.2 *Project evaluations not quality assured on a regular basis*

Interviews at Sida revealed that project evaluations are not quality assured on a regular basis. Sida's Secretariat for Evaluation has an unclear mandate as both supporting and independent evaluator. Lack of clarity in the Secretariat for Evaluation's responsibilities has also been highlighted in the DAC Peer Review of Sweden.²⁹⁹

4.6.3 *Sida's learning process lacks a systematic approach*

Sida often utilises previous experience when designing new support, but the learning process lacks a systematic approach. It is obvious in most cases that any eventual experience of similar support influences the design of the support when a contribution is preceded by a previous agreement period.

But the SNAO cannot find any cases where Sida analyses why a particular outcome has been achieved, or how lessons from good practice have influenced the design of a contribution in the next phase.

In some cases it is unclear how Sida has actually learnt from its experiences.³⁰⁰ For example, the SNAO has observed that there are two separate evaluations of statistical support in Cambodia from 2008, one with a project support focus initiated by Sida, the other with a sector focus initiated by the British aid agency, DFID.³⁰¹ The evaluations produced different conclusions about the project's potential to promote sustainable capacity development. But only the Sida-initiated evaluation is mentioned in Sida's assessment memo prior to the next agreement period, 2009–2011.³⁰²

In line with a decision from 1998, all evaluations will be subject to an established action plan, Management Response, to ensure that evaluation results and the subsequent recommendations are observed.³⁰³ The SNAO

²⁹⁹ Peer Review of Sweden, OECD/DAC, 2009, p. 74.

³⁰⁰ E.g. NIS, IGF, Niassa.

³⁰¹ End of Phase Evaluation of the Swedish support to Institutional Capacity Building of the National Institute of Statistics in Cambodia 2006–2008, Ramboll Management, September 2008 and Evaluation of Support to Statistical Capacity Building, Cambodia Country Case Study Dfid (MacAuslan, I. and Spanneut, C.) DFID REF:

³⁰² Sida's assessment memo prior to the decision on support for NIS for the period 2009–2011.

³⁰³ DG's decision DG 158/98, See also Sida's evaluation policy, DG's decision: DG 45/01. Development Assistance Manual: DAC Principles for Effective Aid, Paris: OECD, 1992, "A management response system can be understood as a way of linking evaluation findings to future activities" p. 133.

has observed that Management Response has not been applied on a regular basis.³⁰⁴ This observation is also highlighted in a report from Sida's Secretariat for Evaluation (UTV).³⁰⁵

Sida's Secretariat for Evaluation has made an effort to systematically evaluate Sida's support for capacity development. An evaluation programme was launched but terminated prematurely due to lack of resources.³⁰⁶ A report was published with the conclusion that Sida, to a large extent, lacks systematised knowledge of support for institutional development. This was despite the fact that Sida has been supporting institutional reform in partner countries since the late 1980s. Sida has not operationalised this knowledge, which was also the reason why the actual evaluation was initiated.³⁰⁷

4.6.4 *The results analyses present few opportunities for comparing experiences between countries*

Prior to a decision on a new cooperation strategy, experience from the previous strategy should be utilised. The Government's guidelines for cooperation strategies state that the results analysis, in addition to assessing goals in relation to outcomes, should also address ownership, the administration's implementation capacity, procurement issues, corruption risks, the experiences of other donors, and the risks and benefits associated with various channels.³⁰⁸ Sida's governing documents satisfy the requirements concerning issues that should be addressed in the results analysis and also mention public financial management, aid modalities, and harmonisation and alignment with the partner country.³⁰⁹

The results analyses for the audited countries have sections where experiences are discussed at a general level, but these rarely contain a closer analysis of the factors listed above. This information can be found, however, within the framework of describing the results of individual contributions.

³⁰⁴ Field visits to Cambodia 26–30 January (e.g. NIS), Mozambique 2–10 March (e.g. IGF) and Zambia 11–19 March 2009.

³⁰⁵ The evaluation presented three main findings: firstly that Management Response was suitable for documentation but not for institutional learning. Secondly, Management Response has only marginally contributed to learning because introduction of the system has been slow and usage is unevenly distributed throughout the organisation. Thirdly, Management Response did not lead to strengthened partnership, dialogue and ownership. Sida's Management Response System, Sida's Study in Evaluation, 06/01.

³⁰⁶ Interviews at Sida.

³⁰⁷ Changing Rules – Developing Institutions. A Synthesis of Findings, Gun Eriksson Skoog, Sida Studies in Evaluation 2007:02, Sida.

³⁰⁸ Guidelines for cooperation strategies, p. 28.

³⁰⁹ Sida at Work – A Guide to Principles, Procedures and Working Methods, Sida, October 2005, p. 37.

But the results analyses differ in terms of content and form, which limits opportunities for making comparisons and drawing general conclusions about the transition from project support to sector programme support, or cooperation with Swedish government agencies.

Sida highlights experiences that are relevant for capacity development support in several cases. But the changes that would be required in the cooperation prior to a new cooperation strategy period are not usually enlarged upon. The report for Mozambique, for example, mentions disagreement both between donors and within the government on how capacity development should take place. The report then concludes that the most effective Swedish support for capacity development has been support with a sector-wide approach or support with a broad-based approach to building institutions. This is based on an internal planning memo, however, and the results analysis does not present the underlying criteria for drawing these conclusions.³¹⁰ In the same results report, Sida refers to the OECD/DAC's review of general budget support for the period 1994–2004, which concludes that one of the weaknesses with general budget support was the absence of capacity development. But Sida does not draw any conclusions about the impact that this could have on Sida's support.³¹¹

The results report for Rwanda presents lessons learned from supporting institutional development. The weak capacity of Rwandan authorities in strategic planning and implementation is said to create a heavier workload for Sida staff. The report also highlights experiences in relation to cooperation between Rwandan and Swedish authorities, and suggests that Rwanda has not fully committed to these projects.³¹² These observations are not enlarged upon, however.

In addition to general budget support, there are two major sector support programmes in Zambia – health sector support and agricultural sector support. Support for capacity development has been linked to both of these initiatives, but the results analysis contains no information about the outcomes in terms of strengthened capacity.³¹³

³¹⁰ Results analysis for Mozambique, p. 3, 7.

³¹¹ Results analysis for Mozambique, p. 12, 13.

³¹² "It has proved difficult for the Swedish institutions to get full access to their Rwandan counterparts, a precondition for enabling relevant resources in a strategic and efficient manner." ... "[there is] an urge for partnership, with clarified expectations between the partners and realistic ambitions, must for the ground." Results analysis for Rwanda, p. 38.

³¹³ Results analysis for Zambia, p. 23, 28.

5 The SNAO's findings and recommendations

The SNAO has audited whether Sida provides relevant support for capacity development in the public administration of partner countries.

The starting point for the audit has been the Paris Declaration's commitments and the internationally accepted principles for capacity development support developed by the OECD's Development Assistance Committee (OECD/DAC).

The SNAO has found that the assessments in Sida's proposals for capacity development support are incomplete. As a result, it is difficult to determine whether Sida has chosen to fund the right projects or programmes, and whether the contributions that Sida supports are relevant for building sustainable capacity. Sida also risks losing knowledge related to the types of contributions that are effective for building capacity. The SNAO has also found that Sida focuses too much on forms of support at the expense of assessing content and implementation. An overly rapid transition to programme support without substantiated analyses and the support that is required for developing capacity can place too much responsibility on inadequately equipped partner organisations. This could lead to an increased risk for mismanagement and corruption.

The SNAO has found that Sida's proposals are not consistent with the OECD/DAC reference document on capacity development support that builds upon the principles of the Paris Declaration on Aid Effectiveness. These principles are well known and internationally accepted. Sida is responsible for running its operations effectively. Sida should therefore have already adapted its assessments to these internationally accepted guidelines. This applies irrespective of the fact that the Government did not introduce the Paris Declaration into Sida's instructions and letter of appropriation until 2009.

The SNAO has also found that the Government has not made sufficiently consistent use of the instruments at its disposal to direct Sida towards the objectives of the Paris Declaration.

The Government's cooperation strategies do not give Sida enough guidance on several points that the SNAO claims are crucial for Sida's implementation of contributions for developing capacity in partner countries. In its audit, the SNAO suggests that although the Government

has updated its guidelines for cooperation strategies, these should be clarified on a number of important points such as capacity development support, the role of Swedish government agencies, and assessments for sector programme support.

5.1 The SNAO's findings with regard to Sida

The SNAO's audit shows that Sida as an organisation does not lack knowledge of capacity development, but that this knowledge is often not utilised when contributions are designed. In the audit, the SNAO has observed a number of weaknesses in Sida's proposals for capacity development support.

The SNAO has also found that Sida's guidance manual for capacity development support is largely aligned with the OECD/DAC's principles for good practice.

Like many other aid organisations, Sida's definition of capacity and capacity development is complex and not operationalised. The manual also lacks a specification of the methods that should be used and how capacity development contributions are monitored. Sida's policy and guidance manual do not therefore provide clear control signals.

The SNAO has found that weaknesses in the proposals can partly be explained by the fact that Sida has too many governing documents and guidelines that partially overlap, which means that Sida's programme officers may find it difficult to know what should be addressed in the assessment memos.

5.1.1 *Sida makes incomplete assessments of preconditions for capacity development*

The SNAO has found that Sida's assessments of contribution decisions do not satisfy the requirements that should apply for operations that are run in complex and risk-filled environments. Sida rarely assesses the existing capacity in a partner organisation in terms of strengths and weaknesses. Neither does Sida adequately assess the driving forces and obstacles to development within the organisation's enabling environment. Sida does not therefore acquire enough knowledge about the preconditions that exist for achieving sustainable results in individual contributions.

The OECD/DAC reference document claims that all support should begin with the question: Capacity for what? What specific capacities are needed to achieve the anticipated goals? To answer this question, a fundamental analysis on several levels is required. The SNAO's audit

has shown that this analysis is documented to a limited degree in Sida's proposals in the form of references to underlying analyses or studies. Only six audited proposals refer to specific tools that are used to analyse the partner organisation's institutional capacity.

The SNAO has observed that most of the contributions lack a documented assessment of the partner organisation's financial and governance capacity. This kind of assessment is a precondition for Sida being able to determine the partner organisation's capacity for receiving financial aid in more general forms, and one of the Paris Declaration's cornerstones.

The SNAO has noted that Sida aims to devote fewer resources to the planning phase of contributions and focus more on implementation and monitoring. The SNAO would like to highlight, however, that a precondition for successful management of contributions is that decisions are based on sound and well-documented analysis. The SNAO claims that the analysis will ensure that contributions are predictable, transparent and auditable, in line with Sida's Regulation on Contribution Management. Finally, the SNAO would like to emphasise that analyses, wherever possible, should be carried out in cooperation with beneficiaries and other donors.

5.1.2 *Difficult to see how Sida's support complements other donors' contributions*

Sida's analysis of other donors' contributions is often restricted to donors within the same programme. Interventions that take place outside of Swedish-financed support are rarely addressed in the proposals. On the basis of Sida's proposals, it is not possible to determine how much Swedish support constitutes relevant complementary support, or whether it is provided parallel to support from other donors. Fragmented aid contributions are a major problem in many partner countries because they can undermine rather than build partner capacity. Parallel support should therefore be avoided, according to the Paris Declaration.

5.1.3 *Sida does not clarify in its proposals whether contributions build on real ownership and a willingness to change*

The OECD/DAC reference document claims that capacity development contributions that do not use local systems will remain ineffective. Sida has highlighted the significance of ownership in several minutes from advisory committee meetings. But the ownership issue is rarely raised or specified in proposals.

Partner influence on the design of the contribution is essential for securing strong ownership and sustainable results. In more than three-quarters of the contributions, it is impossible to see how the partner organisation has influenced the design of the support.

The SNAO has found that the Government often questions democratic progress in partner countries. This increases demands on Sida to analyse how the enabling environment could influence the contribution. This type of analysis is crucial for determining the cooperation strategies and channels that will be most effective. The SNAO has found that almost half of the audited contributions contain a discussion on the contribution's political dimension and the willingness of the highest political level in the partner country to change. In these contributions, the lack of political willingness to change is considered a risk factor for implementation of the contribution. Yet Sida rarely accounts for how partner ownership can be strengthened in the design of contributions. The SNAO has found only 3 examples in the 40 audited contributions where Sida has formulated specific measures for strengthening ownership.

The SNAO claims there is a risk that Sida underestimates the significance of partner ownership. This can lead to over-ambitious contributions that do not meet the partner's real needs or willingness to change. If Sida does not identify the partner's real needs for support, there is a risk that support will be controlled by what the donor has to offer rather than the partner's needs.

5.1.4 *Sida's proposals rarely have clearly defined goals, and lack a phase-out strategy*

Sida's proposals have clear weaknesses in regard to ensuring that contributions have clear and realistic goals. Both the OECD/DAC and Sida's manual for capacity development are explicit about the need to set realistic goals. The SNAO has observed that Sida only assesses whether goals are realistic in 2 of the 40 contributions that have been examined.

The SNAO has also observed that most of the goal formulations are rewrites of the activities that will be implemented rather than clearly defined goals. The goals are too weakly formulated.

The SNAO has also found that none of the audited contributions contain a strategy for how support will be phased out when the results are achieved and support is no longer required. The SNAO finds this noteworthy, because there is a serious risk for aid dependency when actors believe that support will continue indefinitely. The DAC Peer Review of Sweden has also highlighted this issue.

5.1.5 *Winding road from project support to sector programme support*

The Government states clearly that Sida will increase the proportion of sector programme support, and support that uses partner country systems. Sector programme support is Sida's preferred aid modality. Sector programme support implies that partners lead their own capacity development. The SNAO has found in its audit that Sida often lacks a clear strategy for how the transition from project support to sector programme support will take place.

Sida makes different assessments of the same sector in countries with similar preconditions, for example. In Mozambique, Sida gives sector budget support to the Ministry of Agriculture, even though the Ministry is not considered to have adequate strategic capacity or a strategy for developing strategic capacity. A parallel project support for building strategic capacity is provided separately. And for the recently concluded support for the agricultural sector in Zambia, Sida also assessed that the Ministry lacked strategic capacity. In this case, however, Sida decided to implement the support through a consultant rather than through the Ministry. This lack of systematic assessment of each partner organisation's management and financial capacity makes it difficult to see how Sida arrived at such different conclusions.

Another precondition for moving towards sector programme support is that the transition is combined with relevant support for the capacity development that is needed, so that the partner organisation can absorb the sector programme support. Important here is that Sida's analyses also account for other donors' contributions, and partner agendas. Sector programme support entails that partners lead their own capacity development. As such, Sida must consider the partner's ability to accept this responsibility.

The SNAO welcomes the recent change in Sida's Regulation on Contribution Management that an assessment of the partner organisation's financial capacity is now obligatory. But the SNAO suggests that this kind of assessment is developed to include the type of support contributions that may be needed to enable a direct channelling of resources to the partner organisation.

5.1.6 *Unclear how contributions will be implemented*

The OECD/DAC maintains that a link between the desired outcomes and the activities that are implemented is critical. The SNAO has already highlighted the weaknesses in Sida's proposals in regard to this point. The absence of baseline studies and clear goals obstructs evaluation and learning. Sida runs

the risk of repeating the same mistakes, and an exchange of good practice between sectors and countries is hampered.

If Sida does not assess and clarify the methods that are used for strengthening the partner's capacity within the identified areas, Sida will not learn how operations are run and goals are achieved. Sida's lack of clarity in the proposals concerning how parallel project implementation units are used is one example of this type of weakness. There is also a risk that knowledge of methods that are cost-effective and strengthen ownership will not be acquired.

Sida is an organisation with a high level of staff rotation. Because of long contribution agreements, the same programme officers are rarely involved in the whole process from decision through to conclusion and evaluation. The SNAO claims that this increases the need for documented analysis and clear assessments. The measures that are taken by different programme officers must be trackable. Changing programme officers could otherwise prolong Sida's decision-making process, or contribute to Sida's role in relation to the partner organisation becoming person-dependent, which can also mean that roles become unclear.

An unclear analysis and assessment of the implementation also reduces Sida's opportunities for constructive dialogue with the partner and other donors during the implementation of the contribution.

5.1.7 *Learning from capacity development experience is not systematic*

The SNAO has found disparities in Sida's management of project evaluations. Information about how the contribution will be evaluated is only provided in one quarter of the audited contributions.

According to the OECD/DAC, an evaluation should be as independent as possible to facilitate learning based on objective observations. Independent evaluation is also fundamental to avoiding unclear roles between donors and partners. During random tests, the SNAO found that 4 of the 40 audited contributions had evaluation processes where independence could not be confirmed. The SNAO has also found that Sida does not quality assure its project evaluations on a regular basis. This could be one explanation for the weaknesses that the SNAO has observed.

The SNAO has also observed that the results analyses do not give increased knowledge about what works and what doesn't in regard to Sida's capacity development support. The SNAO suggests that Sida secures institutional learning, where experiences from individual contributions are utilised. This assumes that Sida's evaluations are independent and maintain high quality.

5.1.8 *Conflict of aims between the Paris Declaration and using Swedish government agencies*

The SNAO has also found that Sida's present strategy for cooperation with Swedish government agencies (Följsamöverenskommelsen) is not consistent with the Paris Declaration and obstructs progress towards Programme-based Approaches because it stipulates that resources must be channelled via the Swedish agency. Sida's manual also contains formulations to the effect that Government agencies will be the first choice for Sida's support for capacity development and institution building.

The SNAO maintains that there is a conflict between how Swedish government agencies are engaged by Sida in development cooperation and the Paris Declaration's commitment to untied aid. But the Government has not clarified to Sida how Sida should behave towards Swedish government agencies as implementing actors in partner countries where Sweden conducts long-term programme cooperation.

The SNAO claims that because the Government and Sida often present Swedish government agencies as preferred cooperation partners, this could in some contributions lead to Sida routinely choosing to cooperate with a Swedish agency rather than investigating the actual needs that exist in the partner country's organisation.

The SNAO notes that Sida has not conducted any formalised assessment of the Swedish agencies' capacity and ability to deliver Swedish aid, even though cooperation has been taking place for more than 20 years.

5.2 **The SNAO's recommendations for Sida**

- The SNAO recommends that Sida uses its assessment memos as proposals, where Sida accounts for the relevant risks and advantages, and adopts clear positions.
- The SNAO recommends that Sida establishes minimum requirements in regard to how capacity development is addressed in assessments prior to contribution decisions.
- The SNAO recommends that Sida immediately simplifies the hierarchy of governing documents by removing overlapping and outdated documents.
- The SNAO recommends that Sida establishes clear rules for transferring contribution responsibility when programme officers change.

5.3 The SNAO's findings with regard to the Government

A number of central development policy decisions lie with the Government. The Government decides what countries Sweden will cooperate with. In the cooperation strategies, the Government will assess whether the partner countries have relevant strategies for poverty reduction and real political commitment. The Government will indicate the sectors for Sida's support. The Government will also assess the most effective forms of cooperation and channels in each country. All of these points make cooperation strategies key and central governing documents.

5.3.1 *The Government has not integrated the objectives of the Paris Declaration consistently in its management of Sida*

The 2005 Paris Declaration's commitments are central to delivering effective aid. The commitments must be fulfilled by 2010. By including the Paris Declaration in Sida's instructions for 2009, the Government has committed to implementing the Declaration's objectives.

But the Government has not integrated the objectives of the Paris Declaration consistently in its management of Sida. In both letters of appropriation and cooperation strategies, requirements have been far too general. The Government did not formally clarify the significance of the Paris Declaration to Sida until 2009 when it was incorporated into Sida's instructions. And the Government did not specify goals for aid effectiveness until Sida's appropriation letter for 2009. All cooperation strategies that were established after the Paris Declaration was endorsed in 2005 contain general references to the Paris Declaration, but the goals are addressed differently in different strategies.

In summer 2009, the Ministry for Foreign Affairs and Sida sent an action plan for aid effectiveness to missions abroad. The action plan specifies the task in the letter of appropriation, and the missions abroad are encouraged to set goals that are consistent with the Paris Declaration. The action plan has not been officially adopted by the Government and its status as a governing instrument is therefore unclear. The SNAO maintains that this entails a risk that responsibility for monitoring the goals will be unclear. The SNAO has also found that the Government has not made sufficiently consistent use of the instruments at its disposal to direct Sida towards the objectives of the Paris Declaration.

The SNAO can also confirm that although Sida informed the Government that the information in the OECD/DAC's review of the Paris Declaration contains weaknesses, the Government has used this information in its performance communication to the Riksdag without consideration for the fact that the information is uncertain.

The SNAO notes that the Government at international level, such as during the Swedish Presidency of the EU, lobbied for increasing the EU's ambitions to implement the Paris Declaration.

5.3.2 *The Government's cooperation strategies do not give Sida adequate guidance*

The SNAO has found that the Government often questions democratic progress in partner countries. This increases demands on the Government to adopt clear positions in the cooperation strategies in relation to the forms of cooperation and channels that should be used.

The link between conditions in individual countries and the assessments that are made in the cooperation strategies is not always clear. The Government makes assessments at sector level in some cases, but not others. There are often no links between increased use of programme support and assessments of the support for capacity development that is needed. The SNAO maintains that the Government should formulate the cooperation strategies precisely. The Government also needs to give clearer instructions to Sida regarding the considerations that are required for how different aid modalities and financing channels should be used. The SNAO has found that for three of the eleven countries in its audit, the Government has still not made decisions regarding new cooperation strategies. Two of these countries (Mali and Burkina Faso) are budget support countries. The SNAO has previously highlighted the importance of the Government drafting and making a decision concerning new cooperation strategies for these countries.³¹⁴ Rwanda is a former budget support country, where the absence of a strategy makes aid delivery difficult because without budget support, there is no strategy for alternative methods to support poverty reduction in the country.

5.3.3 *The Government's requirements for sector programme support assessments are unclear*

The Government's cooperation strategies do not give Sida enough guidance on several points that the SNAO claims are crucial for Sida's implementation of contributions for developing capacity in partner countries. In its audit, the SNAO has confirmed that the Government has updated its guidelines for cooperation strategies, including general budget support.

³¹⁴ RiR 2007:31 Aid through budget support – The Government's and Sida's handling of a key type of development aid. Riksdagen, 2007.

But the SNAO maintains that the guidelines for some key points are unclear, which we will develop below.

The SNAO maintains that the Government should indicate to Sida more clearly than it has to date, the role that support for capacity development should play in cooperation with individual countries. The Government should also define what is meant by “Swedish comparative advantages” in the development cooperation, and how Sida will cooperate with Swedish government agencies. The SNAO adopts these positions because of the weaknesses we have found in Sida’s management of capacity development support.

The new development cooperation policy, which is based on supporting partner countries’ own poverty strategies and channelling aid resources via partner country systems, demands more accurate assessments. The starting point is that aid must be given in programme form and not earmarked. But the Government’s requirements for assessments are unclear, as clear assessment criteria are only given for general budget support. The assessment criteria for other sector programme support are brief. It is essential that both the Government and Sida, in their own respective areas of responsibility, make sound assessments when considering forms of cooperation where resources are channelled via partner organisations.

The SNAO has found there is a need to clarify what assessments Sida needs to carry out before making a transition to sector programme support. This will ensure that a transition to sector programme support takes place in pace with the partner countries’ development of capacity for handling support in general forms. Otherwise, the SNAO claims there is a risk that decisions concerning sector programme support will be controlled by other considerations, and lead to unmotivated differences in Sweden’s attitude towards partner countries on this point. This could also obstruct attainment of the equivalent Paris Declaration objectives.

5.4 The SNAO’s recommendations for the Government

- The SNAO recommends that the Government develops its guidelines for cooperation strategies concerning support for capacity development in the public administration of partner countries. The requirements concerning the assessments that are needed when channelling resources via partner country systems should also be more consistent.
- The SNAO recommends that the Government makes immediate decisions regarding cooperation strategies for the countries that currently lack cooperation strategies.

- The SNAO recommends that the Government develops its management of Sida in relation to the Paris Declaration by ensuring that instruments at its disposal are used effectively.
- The SNAO recommends that the Government initiates an independent report of lessons learned from development cooperation through Swedish government agencies, with a special focus on how these efforts may obstruct implementation of the Paris Declaration.

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Appendix 1 People interviewed for the audit

Sida (including missions abroad)

Jesus Alfredo
Ola Andersson
Paulos Berglöf
Jan Bjerninger
Lena Blomstrand
Richard Bomboma
Mikael Boström
Malila Chisanga
Eva Gibson Smedberg
Anne-Marie Fallénius
Thomas Kjellsson
Anneka Knutsson
Kristina Kühnel
Annika Jayawardena
Bengt Johansson
Joao Jussar
Karl-Anders Larsson
Anna Liljelund Hedqvist
Per Lundell
March Luon
Nils-Olov Malmer
Karin Metell Cueva
Joakim Molander
Pontus Modéer
Audrey Mwendapole
Njavwa Nkandu
Per Nordlund
Anders Nordström
Charlotta Norrby
Eva Ohlsson
Göran Paulsson
Lisa Román

Malena Rosman
Anna Runeberg Toom
Lars Rönnås
Camilla Salomonsson
Magnus Saemundsson
Cecilia Skinner
Ann Stödberg
Karin Sverkén
David Wiking

Ministry for Foreign Affairs

Marina Berg
Anders Hagelberg
Karin Johanson
Mia Rimby
Håkan Åkesson

Swedish government agencies

Bengt Andersson, ESV
Niclas Carlsson, RPS
Berit Olsson, SCB

European Commission

Virginia Manzitti, Head of Sector for Aid Delivery Methods, EuropeAid

Alex Gerbrandij, International Coordination Officer (Aid Effectiveness)
EuropeAid

Field visit to Cambodia 25–31 January 2009

Representatives in the form of beneficiaries and implementers in the following contributions: EBEP II, NIS, PSDD, PFM reform, CDRI (the last-named is not included in the audit).

Representatives of the following donors: the European Commission, the World Bank, UNDP, UNICEF.

The National Audit Authority.

Field visit to Mozambique 1–10 March 2009

Representatives in the form of beneficiaries and implementers in the following contributions: Proagri II, IGF, UTRESP II, SISTAFE II, Niassa, SAKSS, DNEAP.

Representatives of the following donors: the European Commission, France, Ireland, Canada, the UK, Finland, Switzerland, Denmark, the Netherlands

The European Commission.

Representatives of individual organisations and other relevant actors in Lichinga and Muembe in Niassa Province.

Representatives of a number of individual organisations.

Tribunal Administrativo

Parliament, Comissão de Plano e Orçamento.

Field visit to Zambia 11–19 March 2009

Representatives in the form of beneficiaries and implementers in the following contributions: NAC, Health Sector Support, ASP/MACO, ZMB financial Mgmt, PSM, LCC.

Representatives of the following donors: Germany, the World Bank, the United Kingdom.

Representatives of a number of individual organisations.

Office of the Auditor General.

Appendix 2 List of audited contributions

The descriptive text in most cases has been taken from Sida's statistics.

Official title of the contribution MOÇAMBIQUE	Abbreviation in the report	Contribution ID	Total decision	Date of decision	Brief description of the contribution
Scand stats INE 2003-07	INE MOC	23000129	40 000 000	6/6/2003	The programme to develop the capacity of the National Statistics Institute (INE) is co-financed by Denmark, Norway and Sweden with Denmark as the lead agency, with a consortium of their three statistics offices, ScanStat, as the supporting consultant. The project is based on a five-year statistical plan (2003-2007) and supports institutional development of INE strengthening the national statistical system.
Public Adm 2006-09	Niassa	23000142	19 000 000	2006-03-20*	The support will focus on: improving basic services, creating and consolidating capacity at the provincial level, creating capacity at the district level. Instruments used; provincial and district strategic plans, PES, annual budget and the new PARPA, budget support through the annual budget of the province and improved audit follow up. Contributions from partners are; support to technical assistance.

Official title of the contribution MOÇAMBIQUE	Abbreviation in the report	Contribution ID	Total decision	Date of decision	Brief description of the contribution
MF/IGF/ESV Contract	IGF	23000198	48 500 000	7/7/2006	Sweden has supported IGF since 1998. The objectives are to provide long-term systematic assistance to IGF as part of the overall economic and financial systems reform, modernisation and development. The main emphasis is on institutional development programmes between IGF, the Swedish National Audit Office and/or more recently, the Swedish National Financial Management Authority, ESV, and Portugal's IGF.
DNEAP Cap Dev Support	DNEAP	23000245	20 000 000	7/7/2006	Support for capacity building to the National Directorate for Studies and Policy Analysis.
SISTAFE phase II 2006-08	SISTAFE II	23000246	30 000 000	7/11/2006	Support for the implementation of the SISTAFE Public Financial Management Reform, phase II, 2006-2009
DRI debt strategy	DNEAP	23000253	4 900 000	5/22/2007	Support to enhance capacity of debt management and financing analysis within the government of Mozambique. The support is provided by Debt Relief International in the form of workshops and short-term missions over a period of two years. The Swedish financing is part of a multi-donor financial sector reform programme supported by five other donors, lead by the World Bank.
UTRESP - PSR Phase II	UTRESP II	23000256	14 000 000	2007-10-08*	Support to the common fund of the second phase of the public sector reform - UTRESP.

* Date of decision not available. The date given is the date of the assessment memo.

Official title of the contribution	Abbreviation in the report	Contribution ID	Total decision	Date of decision	Brief description of the contribution
TA-AFROSAI-E Audit Prog	TA-AFROSAI-E	23000262	25 000 000	7/6/2007	The Swedish contribution will primarily consist of financing the institutional development programme between the Tribunal Administrativo and the African Organization of Supreme Audit Institutions, English-speaking, acting in close collaboration with the Portuguese Court of Audit/Tribunal de Contas (TCP), through secondment of professional staff for short- and long-term missions in the project. The TCP contributes with "Latin" system expertise and experience for the development of the TA. Sida's support will also back up the AFROSAI-E input with infrastructure, training funds and consultancies outside the AFROSAI-E's responsibility.
Proagri II 2009-2011	PROAGRI II	23000287	142 000 000	6/26/2008	Proagri II is Mozambique's National Programme for Agriculture Development and will contribute towards poverty reduction and improved food supplies. Sida's support is designed as sector programme support that has been earmarked for the Ministry of Agriculture for the implementation of ProAgri II.

Official title of the contribution	Abbreviation in the report	Contribution ID	Total decision	Date of decision	Brief description of the contribution
Capacity dev SAKKS 08-11	SAKSS	23000295	22 500 000	2008-10-04*	Capacity development SAKSS = Strategic Analysis and Knowledge Support System. SAKSS seeks to support MINAG in developing capacity for policy analysis and strategic planning. It is a collaboration between the three CGIAR institutions IFPRI, ICRISAT and IWMI.
Total decided for Mozambique			365 900 000		
ZAMBIA					
ERB phase 3 trust fund WB	ERB	26000001	5 400 000	2006-05-06*	Institutional support for the energy regulation authority, ERB, in Zambia. The support is provided through a trust fund from the World Bank.
Spatial Planning and Leg	Spat planning	26000003	4 500 000	3/28/2006	Support to the Ministry of Local Government and Housing in Zambia to revise legislation related to Spatial Planning. It is an intervention that will have to be accompanied by other interventions to address urban poverty as an obstacle to social and economic development.
Capacity build LCC	LCC	26000004	29 000 000	6/14/2006	Institutional support to the Lusaka City Council in Zambia. The support comprises the following four components, capacity building and training; public service delivery; a Land Information System and property valuation and tenure.

NAC Capacity building	NAC	26000010	9 000 000	10/11/2007	Support to the implementation of the National HIV/AIDS/STI/TB Council strategic plan 2007-2009. The programme aims at building NAC's leadership, M&E and coordination role in Zambia's response to HIV/AIDS, including the decentralised response. The ultimate ambition is to contribute to NAC's goal of halting and beginning to reverse the spread of HIV/AIDS by 2010.
Agriculture Support Progr	ASP/MACO	26001010	230 000 000	6/27/2002	The aim of the programme is to improve income levels and food safety for 44,000 families of small-scale farmers in Zambia.
Health Exp Basket	Health Sector support	26003047, 26003049	660 000 000	2007-10-11 AND 2005-12-09	Comp 1. Support for the implementation of Zambia's health plan financed via a SWAP arrangement. The Netherlands is Sweden's delegated partner. The second component relates to support to the university's department for health economics issues, including technical support to UNZA. Component 3 relates to technical support through advisors to the Ministry of Health. Components 4-8 refer to technical support, and component 9 is a reserve for TA and currency fluctuations.

* Date of decision not available. The date given is the date of the assessment memo.

Official title of the contribution	Abbreviation in the report	Contribution ID	Total decision	Date of decision	Brief description of the contribution
ZMB PSD Programme	ZMB PSD	26003300	15 000 000	4/11/2006	Basket support for comprehensive reform programme for stimulating privately-led growth. Other donors are the UK, NL, FI, USAID, EU, WB and UNDP.
ZMB Financial mgmt	ZMB Financial mgmt	26003301	35 000 000	6/27/2005	Co-financed with DFID, Denmark, the Netherlands, Ireland, Finland, the World Bank and the EC. Sweden's contribution to the basket fund (total SEK 32 million) constitutes 5% of the total budget. The disbursements will depend on the annual budgets agreed and Sweden should contribute with 5% of the budget for 2005, 2006, 2007 and 2008 and 6% for 2009.
ZMB Public Service Mgmt	ZMB PSM	26003306	40 000 000	6/21/2006	Support for GRZ reforms in rightsizing, pay reform, service delivery improvement and payroll management and establishment control. Other CPs supporting are the World Bank and DFID.
Total decided for Zambia			1 027 900 000		

RWANDA					
Auditor General 2008-2010	Auditor General	34100004	9 500 000	3/19/2008	There is an ongoing cooperation that started in 2001 between the OAG, the Swedish National Audit Office (SNAO), the Netherlands Court of Audit (NCA) and Sida. The project objective is to increase audit coverage and audit impact, and to further develop the OAG as a respected and highly professional organisation in line with the International Organisation of Supreme Audit Institutions (INTOSAI) standards. The starting point for the third phase of cooperation is the OAG Strategic Plan 2006-2009. Previous results will be consolidated during this phase.
Election supp 2008-2011	NEC	34100005	15 000 000	2008-06-10*	Support aims to strengthen NEC's technical and operational capacity to implement election processes, and the implementation of NEC's strategic plan for 2007-2011. The support period covers elections to Parliament, the President, the Senate and local elections.
Police cooperation Rwanda	Police cooperation	72600593	20 000 000	6/3/2005	The Swedish National Police Board (RPS) will submit reports every six months in programmes/projects that are longer than 10 months – which this programme is. The programme started on 1 June 2005.
RALGA Institutional Supp.	RALGA	72600714	10 500 000	3/10/2006	Support for the Rwandese Association of Local Government Agencies (RALGA) strategic plan 2006-2009.
RITA	RITA	71700016	24 000 000	2/14/2007	Support for institutional capacity development within RITA (Rwanda Information Technology Authority) and ICT (Information Communication Technology) projects within the NICI plan (National Information and Communication Infrastructure) .
Total decided for Rwanda			79 000 000		

* Date of decision not available. The date given is the date of the assessment memo.

Official title of the contribution	Abbreviation in the report	Contribution ID	Total decision	Date of decision	Brief description of the contribution
BOLIVIA					
Nat Statist Ins Bol 03-05	INE Bolivia	63000059	35 000 000	10/12/2005	Support for the national statistics office, Instituto Nacional de Estadística, and its institutional development plan, which focuses on statistical production, institutional reforms, and strengthening the Bolivian statistical system.
New Education Bolivia	New edu	63000084	200 000 000	7/5/2005	Aims to improve the quality of and access to education through a system that supports human development, democratic structures, and develops competent and productive capacity with respect for cultural, ethnic and loyalty values.
TAF's support	TAF	63000086	4 500 000	6/21/2005	Support for the establishment of a TA fund for strengthening the public financial management system. TAF's purpose is to contribute with technical assistance in order to "strengthen the fiscal and financial capabilities, improve the management of public finances and support the implementation of poverty reduction policies."

UNICEF W&S 2006-2010	Wat San	63000104	40 000 000	10/20/2006	The overall goal is to reduce child mortality through increased access to clean water, basic sanitation and the development of hygiene customs. The Multi-donor programme through Unicef comprises support at various levels within the water sector, from a social level and NGOs to local governments.
Ombudsman 2007-08	MR ombudsman	63000134	4 000 000	6/27/2007	Support for the implementation of the new strategic plan for the Human Rights Ombudsman. The programme spans over 5 years, but Sida can only decide on support up to 2008.
Territorial rights - INRA	INRA	63000142	2 750 000	1/18/2008	12-month support for strengthening INRA (National Institute for Land Reform) for devising a national strategic seven-year plan for "saneamiento" (ownership reform), PENSAT. Sida views the contribution as a test phase prior to a possible longer-term cooperation within the sector.
Hydro Resources PNC	PNC	63000147	11 300 000	5/31/2007	Support for policy formulation regarding water resource management, and for the implementation of infrastructure projects in Titicaca Lake Basin.
Support to local cap. FPS	FPS	63000148	6 000 000		Support for the state investment fund FPS in its work of providing support for small and poor municipalities, in order for these to be able to apply for project financing from the fund.

Official title of the contribution	Abbreviation in the report	Contribution ID	Total decision	Date of decision	Brief description of the contribution
BOLIVIA					
State reform (PRI 2 pre.)	PRI	63000150	2 800 000	9/4/2007	Support for the appraisal phase of PRI (2) – The project for institutional revolution. The reform project aims to make the Bolivian state apparatus fairer, more accessible, more efficient and more open.
Support to Ass. of Munici	Ass of Munici	63000158	2 400 000	5/13/2008	Support for the Bolivian local authority association and the implementation of its institutional plan. Specific components include advocacy, communication and the handling of projects intended to strengthen local democracy.
PUC	PUC	71400066	12 800 000	7/4/2002	Preparatory contribution for the introduction of a BAS account plan (PUC).

* *Date of decision not available. The date given is the date of the assessment memo.*

Official title of the contribution	Abbreviation in the report	Contribution ID	Total decision	Date of decision	Brief description of the contribution
Anticorruption Programme	Anticorruption	63000097	24 500 000	4/19/2005	The overall objective of the 2005-2009 Integral Anti-corruption Programme, PIA, is "to strengthen the institutional capacity of four participating entities with legal mandate to effectively fight against corruption". The four participating institutions are the Office of the Comptroller General, the Public Ministry, the Financial Investigations Unit and the Viceministry of Fight Against Corruption.
Total decided for Bolivia			346 050 000		
CAMBODIA					
Exp Bas Ed II, Cambodia	EBEP II	72400029	30 500 000	3/3/2006	EBEP II is a programme within the education sector that Sida finances with Unicef as an intermediary. 1) capacity development, 2) improved accessibility and quality in basic school, and 3) extended opportunities for education for children with difficulties. The purpose of the second component is to support the Ministry of Education in leading sector-wide reforms, and developing their capacity to supply decentralised education. Many donors are active within this sector through support for other programmes and projects. However, Sida is one of the largest donors in the sector.
PFM Reform Program	PFM reform	48100002	30 000 000	2/21/2008	The Sida support for the PFM reform programme is channelled through a Multi Donor Trust fund managed by the World Bank. It is used for a sector programme support without earmarking and with no specific Swedish conditions.

Official title of the contribution	Abbreviation in the report	Contribution ID	Total decision	Date of decision	Brief description of the contribution
PSDD Cambodia 2007-09	PSDD	48100008	30 500 000	4/7/2008	Continued support for Cambodia's local government reform. After the end of the previous agreement period in 2006, Sida (and DFID), as a result of the risks having been assessed as being major, has supported the programme with annual decisions. This relates primarily to the Government's intentions and priorities as regards the decentralisation reform having been unclear. However, UNDP has an agreement that is valid from 2007–2009. The overall goal of Sida's support is to contribute to a situation in which poor people have access to working institutions at regional and local level. Sida has led the sector working group since 2006.
SCB consultancy services	NIS	48000001	21 500 000	2/3/2006	The project's objective is to strengthen the capacity of the Royal Government of Cambodia to monitor the development and to formulate policies and strategies to combat poverty by providing relevant and easily accessible data and analyses, in particular trend data, of improved quality.
Total decided for Cambodia			112 500 000		

* Date of decision not available. The date given is the date of the assessment memo.

Appendix 3 Analysis guide

Background information for the contribution

Date of decision:

Date of assessment memo:

Original agreement period:

Revised date of project conclusion (if appropriate):

Is the project also financed by other donors? If yes, what conditions?

Partner organisation:

Responsible department:

Sida's proportion of the support (budget for the agreement period):

Total scope (budget for the agreement period):

Implementing actors/contractors:

Are there any conditions for payment? If yes, what conditions?

What sources are included in the analysis?

Observations in relation to the analysis guide

- 1 Is the purpose of the contribution linked to capacity development (i.e. "the goal is to strengthen the organisation")?
- 2 Is there earmarked support or a component that specifically focuses on capacity development?
- 3 Does Sida make an assessment of the partner organisation's existing capacity?
- 4 Does Sida make an assessment of the partner organisation's financial/management capacity?

- 5 Does Sida make an assessment of the partner organisation's need for capacity development support?
- 6 Does Sida link to an assessment of the partner country's institutional capacity at national level?
- 7 Does Sida discuss the political commitment to capacity development in the actual area?
- 8 Does Sida refer to any special tools they have used to analyse capacity at the different levels?
- 9 Does Sida analyse other donors' contributions in the area?
- 10 Does Sida make an analysis of the capacity contributions that will be prioritised and financed by Sida, and are these adequately motivated?
- 11 Does Sida motivate the contribution's significance for budget support/ sector support?
- 12 Does Sida link to a national reform programme and/or capacity development cooperation policy?
- 13 Does Sida make an analysis of how local ownership will be secured in the contribution?
- 14 Is Sida's support channelled through partner country systems? Is there a discussion of why Sida has/has not used the partner's financial and governance systems (e.g. for budget support, core funding, etc.)?
- 15 Is there an analysis of related support for the demand side, stakeholders, parliament?
- 16 Is there an analysis of how the partner country/organisation has participated in the design of the contribution?
- 17 Does Sida motivate the design of the contribution?
- 18 Does Sida motivate the choice of implementing actors?
- 19 Is there intervention logic for the expected effects of the capacity development support? Has Sida evaluated this logic?
- 20 Does Sida make an analysis of the partner country's identified needs and the measures that are proposed?
- 21 Are there dialogue issues that explicitly address capacity development?
- 22 Does the support have an adequate monitoring mechanism?

- 23 Does the support have an adequate evaluation mechanism? Is there discussion around how capacity development will be followed up in monitoring and evaluation?
- 24 Can it be seen whether results from previous evaluations have influenced the design of the contribution?
- 25 Does Sida maintain that the project's objectives/results have been reached (if the decision is a continuation)?
- 26 Does Sida make an analysis of why the results have/have not been achieved (for a continuation)?

Appendix 4 Definition of Programme-based Approaches³¹⁵

A Programme-based Approach is a method of engaging in development cooperation based on the principle of coordinated support for a locally owned development programme, such as a national strategy for poverty reduction, a sector programme, a thematic programme or an organisation's programme. Aid donors can apply a Programme-based Approach in different ways and by using different forms of cooperation³¹⁶. To qualify as a Programme-based Approach, the following criteria must be present:

- The partner country or organisation exercises leadership over the programme/project
- A single comprehensive programme and budget framework are used
- A formalised process for donor coordination, and harmonisation of the donor procedures in at least two of the following systems: i) reporting, ii) budgeting, iii) financial management and iv) procurement
- The support uses at least two of the following local systems: i) local systems/processes for programme design, ii) systems/processes for programme implementation, iii) systems for financial management and local systems for monitoring and evaluation.

Sector programme support

General budget support

General budget support is non-earmarked financial aid for a country's national budget, aimed at supporting the implementation of a national development programme in the form of a strategy for development and poverty reduction. The funds are transferred to the partner country's Ministry of Finance, combined with other budget income and managed in

³¹⁵ The following text is from Sida's decision concerning new statistics classification, dated 2008-11-04, case no. 2007-002857. The text reflects the OECD/DAC's definitions.

³¹⁶ The term "form of cooperation" describes the focus and design of the cooperation between the donor and its cooperation partner (the beneficiary). The form of cooperation includes the degree of management over the cooperation, and the degree to which the cooperation partner's systems and structures are used.

accordance with the partner country's budget process, budget procedures and systems for public financial management. Disbursements are dependent upon whether the partner country has respected the agreed terms for disbursement. This cooperation form is regulated by special guidelines for general budget support for poverty reduction.

Sector programme support

Financial aid for a sector programme/Programme-based Approach at sector level (Sector Wide Approach programme – SWAp). This support can relate to a whole sector/policy area or part of a sector/part of a policy area. Sector programme support is a process where several donors give coordinated financial aid for a sector policy and sector plan under the leadership of the partner country. Sector programme support can take the form of

- a. sector budget support or
- b. sector programme support where the donor funds are channelled through a joint donor pool.

Sector budget support is financial aid for a country's national budget aimed at supporting the implementation of a country's policy and plans for a sector, part of a sector or policy area. For sector budget support, the funds are part of the partner country's budget process, and they are handled in accordance with partner country systems and procedures for public financial management in the same way as general budget support. The difference is that sector budget support focuses on the conditions, dialogue and the monitoring of results primarily in sector-specific issues.

Sector programme support is a form of support that is financed with coordinated support from several donors to a separate bank account, known as a "pool", and handled jointly by the donors and/or the beneficiary. The pool account is regulated by specific requirements and procedures in regard to payment, monitoring, reporting and auditing. The same procedures apply for all donors in the pool. Pooled funds are characterised by joint programme documents and a joint agreement between the cooperation partner and donors regarding the financing form.

The difference between sector budget support and sector programme support with pooled financing is that sector budget support uses partner country systems and procedures for public financial management, while pooled financing (to varying degrees) uses special arrangements that are jointly agreed upon by the partner country and the donors.

Support for a specific programme through an organisation

Support for an organisation with the aim of supporting a specific sector, policy area/thematic area or a geographic area. This form of support can relate to either support where an organisation (usually an international organisation) is used as the implementing channel (e.g. support for a Multi Donor Trust Fund administered by the World Bank), or support for part of an organisation's own operations.

Appendix 5 The SNAO's order of contribution documentation

Prior to auditing the contribution documentation, the SNAO ordered the following documentation from Sida:

- Assessment memos (including relevant appendices, e.g. assessments from contractors or other donors)
- Decisions
- Agreements
- Any local agreements with other donors
- Results reports, monitoring reports and any other assessments
- Other results reports or assessments in conjunction with disbursement decisions
- Any evaluations
- Any decisions on extensions (including proposals)
- Any other relevant documents that were used in the assessment of the contribution, e.g. Terms of Reference for consultants, tenders from contracting consultants (if these are not appendices to assessment memos).

Appendix 6 List of references for audited initiatives

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08.01.2008,

Country plan for Bolivia 2008 with outlook for 2009 – 2010, 24.09.2007,

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recomendaciones, November 2007

Access to justice and social inclusion: the road to strengthening democracy
in Bolivia, 28.06.2007, Organization of American States, Inter American
Commission on Human Rights

Bolivia analisis economico integrado, March 2008, Strategic advisors for
government reform, and Sida

Estudio de políticas de lucha contra la corrupción en Bolivia, April 2008

Bolivia environment policy brief: environmental sustainability, poverty and
the National Development Plan, June 2007, University of Gothenburg

Evaluacion Finanzas Públicas (EFIP), Evaluation, October 2007

A few notes about the state of gender equality in Bolivia 2007, January 2008,
Uppsala University

Informe latinobarómetro 2007, November 2007, Latinobarometro

Outcome Assessment of Swedish Development Cooperation with Bolivia
2003 – 2006, SPM Consultants

WB Country Social Analysis Resume, Country report

Paris Declaration questionnaire, Follow-up questionnaire, Sida

Country team Bolivia, context analysis and strategic direction and priority,
Sida

Decision on Sida's operational planning at department and team level 2009,
Decision 30.01.2009, Sida

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Decision on Contribution 2007 – 2008, Decision 31.05.2007, Sida

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Agreement 2007 – 2009, 21.06.2007, Sida – Ministry of Development Planning

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Project committee report, 19.04.2007

Education sector support, 63000084

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Memo 2005 – 2009, 29.06.2005

Specific Agreement 2005 – 2009, 28.07.2005 Sida – MoF

Memorandum of Understanding, 28.07.2005, Ministry of Foreign Affairs and Worship, MoF, MoE – The Netherlands, Sweden, Denmark

Support to FAMís Strategic Plan, 63000158

Decision on contribution 2008 – 2009, 13.05.2008, Sida

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Agreement 2008 – 2009, 26.05.2008, Sida – FAM

Auerdo de Financiamiento conjunto entre los Gobiernos del Reino de Dinamarca, del Reino de Suecia y del Reino de los Países Bajos para la federacion de Asociaciones Municipales de Bolivia (FAM)

Ajuste Plan Estratégico 2007 – 2009 (Adjusted strategic plan), January 2008, FAM

UNICEFís multidonor programme on rural water supply, sanitation and hygiene 63000104

Decision on Contribution 2006 – 2010, 20.10.2006

Assessment memo 2006 – 2009, 18.10.2006

Agreement 2006 – 2010, 01.11.2006, Sida – UNICEF

Project committee report 2006 – 2010, 30.08.2006

Standard Ass. Plan – PUC

Decision on pending payments to ÁF, Decision 04.06.2007

Decision to terminate the PUC agreement with CNC, Decision 13.03.2007
and 17.04.2007

Decision on addendum on a non-cost extension to agreement between
Sida and CNC, 15.12.2006

Addendum No. 2 to agreement signed on May 16, 2003, 19.12.2006,
Sida – CNC

Decision to allow payment to ÁF, Decision 23.10.2006

Decision on addendum to agreement between Sida – CNC, Decision
12.04.2006

First addendum to Agreement between Sida – CNC signed 16 May 2003,
28.01.2005 Sida – CNC

Decision on contribution, Decision, 04.07.2002

Assignment order on suborder, Sida's framework agreement 04.07.2002,
Sida – Björn Mothander

Decision on contribution 2002 – 2004, Decision 04.07.2002

Decision on contribution to consultancy services 2002, Decision 07.03.2002

Memo regarding sub-project on introduction of a basic account plan,
07.03.2002

Decision on delegation of power of disposal regarding funds for consultancy
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Assessment memo 2007 – 2008, 29.06.2007

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Decision on contribution 2005 – 2007, 21.06.2005

Assessment memo 2005 – 2007, 18.05.2005

Specific Agreement 2005 – 2007, 21.06.2005, Sida – MoF

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Project committee report, 19.05.2005

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Acuerdo de financiamiento entre el Gobierno del Reino de Dinamarca y el Gobierno de Bolivia para el programa de revolución institucional del ministerio de la presidencia, agreement between Denmark and Bolivia

Project committee report, 29.08.2007

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Decision on increased contribution 2007 – 2008, 14.08.2007

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Assessment memo 2005 – 2009, 21.09.2005

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