

Guidelines for cooperation strategies



REGERINGSKANSLIET

Government Offices
of Sweden

Cooperation strategies – General guidelines

Specific guidelines on country categories

Effective aid

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GUIDELINES FOR COOPERATION STRATEGIES

Introduction

Cooperation strategies are the Government's instrument for managing development cooperation with individual countries and regions. These strategies are to be adapted to the type of development cooperation that Sweden intends to engage in with each respective country or region. The guidelines govern strategy development, content, implementation and follow-up, and are structured as follows:

1 Part I contains general guidelines applicable to all cooperation strategies. It describes the strategy cycle, the process of developing a cooperation strategy, the guidelines for assessing requirements ahead of a new strategy period, and the rules governing the strategy's content, implementation and follow-up.

2 Part II contains specific guidelines on country categories and regional cooperation where these need to be defined more closely or where they differ from the general guidelines in Part I. Here, the focus is on the special assessments, points of departure and deliberations required in dealing with the various country categories. Development cooperation with a given country may include components from a number of different categories, which means this part needs to accord with the specific situation in each target country.

3 Part III contains guidelines on how Sweden is to ensure that its aid provision is effective. This part is to be applied to all stages in the strategy cycle – from preparation to implementation and follow-up.

The guidelines are intended for use by the Swedish Government Offices and by the Swedish International Development Cooperation Agency (Sida). Where appropriate, they are also to be used by other government agencies entrusted with the task of implementing strategies. The document is designed in such a way that it may be used as a manual.

PART I Cooperation strategies – General guidelines

The cooperation strategy cycle

Development policy impact on the cooperation strategy

The process of developing a cooperation strategy

Cooperation strategy content

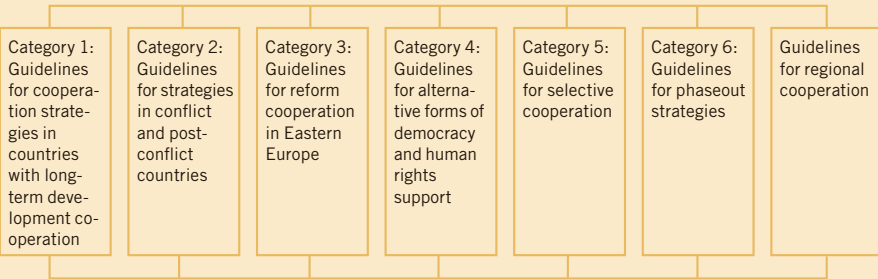
Strategy implementation

Follow-up

Assessment memorandum



PART II Specific guidelines on country categories

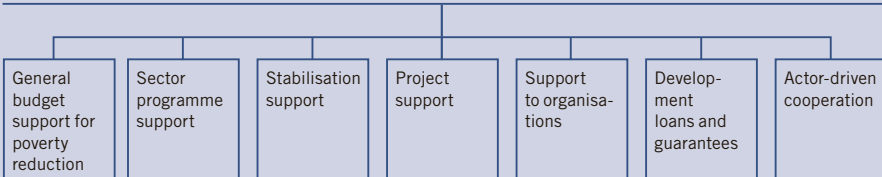



PART III Effective aid

Applying the principles of aid effectiveness

Cooperation partners

Aid modalities





Part I contains general guidelines applicable to all cooperation strategies. It describes the strategy cycle, the process of developing a cooperation strategy, the guidelines for assessing requirements ahead of a new strategy period, and the rules governing the strategy's content, implementation and follow-up.

Cooperation strategies – General guidelines

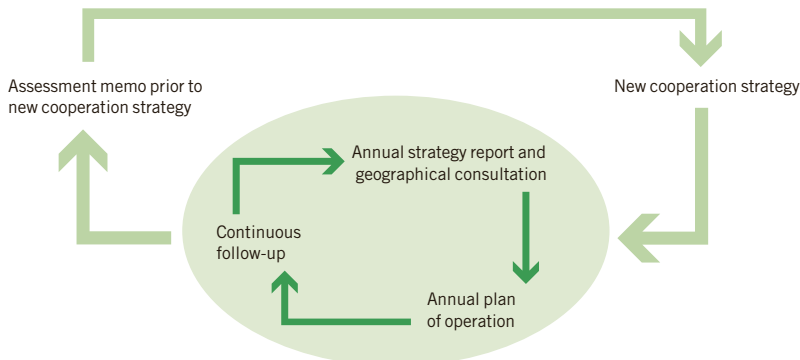
1.1 The cooperation strategy cycle

Cooperation strategies are the Government's instrument for managing development cooperation with individual countries and regions. They are intended to reflect the needs and priorities of the partner country. Implementation of the cooperation strategies is to help Sweden achieve its development cooperation objective and the objective of its reform cooperation with Eastern Europe. The strategies are also intended to serve as instruments for enhancing both the effectiveness and the impact of Swedish development cooperation.

A strategy period should be 3–5 years long. In cases where Sweden supports a partner country's national development plan or the like, the Swedish strategy cycle is to be aligned with that plan as far as possible in terms of its time frame. A strategy may be extended with or without revision where the strategy direction is still relevant. It should be revised in cases where the conditions for cooperation have changed or where the strategy has become less relevant. Where a national development plan is under development, where the situation in the partner country has changed or where a joint donor process has been launched, a strategy may be extended to bring its timetable into line with processes in that country. Where required, a new strategy process may be brought forward in time.

The cooperation strategy objectives govern the direction of development cooperation. The objectives are also to provide a basis for the reporting of implementation and results. The figure below illustrates the cooperation strategy cycle during the strategy period as a whole. The circle at the bottom refers to the annual planning and follow-up cycle:

FIGURE 1 The cooperation strategy cycle



The cooperation strategy cycle comprises the following main components:

- The Government adopts a cooperation strategy, specifying both the overall objective and objectives for each sector and funding amount.
- Sida prepares a results matrix and an annual plan of operation for each country or region¹. This operationalises the implementation of the strategy.
- Continuous follow-up at contribution level. The results of the follow-up provide the basis for a strategy report.
- The objectives for each sector in the cooperation strategy are followed up annually and included in the strategy report.
- A review of the strategy report and geographical consultations between the Ministry for Foreign Affairs and Sida assist Sida in its reporting on the annual plan of operation.
- Continuous follow-up, strategy reports and evaluations are used in the assessment memorandum prior to a new strategy period.
- The conclusions in the assessment memorandum are to influence how the next strategy is formulated.

1.2 Development policy impact on the cooperation strategy

1.2.1 The perspective of poor people on development and the rights perspective

The overall objective of Sweden's Policy for Global Development is to contribute to equitable and sustainable development. Two basic perspectives guide and inform Swedish policy – the perspective of the poor on development and a rights perspective. These perspectives complement and support each other and partially overlap.

- The perspective of the poor on development means that efforts to reduce poverty and seek equitable and sustainable global development must be based on the needs, circumstances and priorities of poor women, men and children, as they themselves experience them. The various dimensions of poverty become visible when poor people themselves describe their situation.
- The rights perspective places emphasis on the freedom and human rights of individuals. Action is based on a globally agreed, common set of fundamental values and principles as expressed in the UN Universal Declaration of Human Rights, and also on the human rights conventions and on regional instruments and systems. The rights perspective embraces four fundamental principles: non-discrimination, participation, openness and transparency, and responsibility and accountability.

1. Hereafter, when countries and cooperation strategies are mentioned, this also refers to regions and regional cooperation strategies.

These perspectives are to inform all strategy work. If the perspectives are to be properly reflected in the cooperation strategy cycle, the key components are the assessment memorandum, the strategy content, the preparation of the contribution portfolio, the dialogue, the follow-up process, and any evaluations that may be undertaken. The two perspectives provide guidance on questions that need to be asked at various stages in the cooperation strategy cycle, and serve as a basis for determining how the principles they embody are reflected in activities at the planning, implementation and termination stage.

1.2.2 Policies and thematic priorities in development cooperation

The cooperation strategies reflect the Government's development cooperation policies². There must be a logical connection between policies and strategies in that strategy direction, dialogue issues and contributions accord with and are based on relevant policies. The basis for thematic priorities decided on by the Government should be the government policies relating to them. In the strategy, thematic priorities are reflected in the formulation of objectives and the choice of indicators, in the choice of dialogue issues and in the choice of direction and cooperation partners.

1.3 The process of developing a cooperation strategy

This section describes the steps to be taken when developing a cooperation strategy. Strategies are to be developed in accordance with the guidelines set out in Part III of the present document: Effective aid. The process involves the following main components:

- The Government provides *information* on which cooperation strategies are to be developed during the coming year and assigns Sida to prepare assessment memoranda on which to base them (normally via Sida's letter of appropriation).
- Sida submits an *assessment memorandum*. See 1.3.1 and 1.7
- The Ministry for Foreign Affairs hosts a *start-up meeting*. See 1.3.2
- The Ministry for Foreign Affairs hosts an *actors meeting*. See 1.3.3
- The Ministry for Foreign Affairs develops a strategy proposal. See 1.3.4
- The proposal is discussed and finalised in a dialogue with Sida and/or another agency and then *processed* at the Government Offices.
- The strategy and also, where appropriate, a draft cooperation agreement are established through a *government decision*. See 1.3.5
- The Ministry for Foreign Affairs *launches the strategy*. See 1.3.6

2. Policy here refers to long-term, fundamental principles setting out the Government's position in a particular area at a general level. A policy is normative and, where relevant, is to be integrated in the implementation of all parts of the Swedish development cooperation programme. A policy is established through a government decision.

FIGURE 2 The process of developing a cooperation strategy



1.3.1 Assessment memorandum

Via its letter of appropriation, Sida is assigned by the Government to produce an assessment memorandum (hereafter assessment memo). The purpose of this memo is to ensure that the strategy will be based on the partner country's needs and priorities, on the results of the present strategy period, on information concerning choice of both cooperation partners and aid modalities, and on Sweden's development cooperation objectives, priorities and policies. While the assessment memo is being prepared, Sida should where relevant engage in dialogue both with the partner country and with other donors, including the EU and multilateral organisations.³ Sida is to engage in dialogue with the business sector, civil society organisations, public actors and other relevant institutions and associations both in the partner country and in Sweden. To minimise the burden on the partner country, however, it is important to ensure that the assessment memo is based as far as possible on knowledge and information already available. See 1.7 for guidance on how the assessment memo is to be formulated.

Transparency guarantee: The assessment data should normally be posted on the websites of both Sida and the Ministry for Foreign Affairs.

1.3.2 Start-up meeting

Once the Government has received the assessment memo, the Ministry for Foreign Affairs hosts a start-up meeting. The purpose of this meeting is to

3. In the following, the term 'donors' refers to bilateral donors, the EU, multilateral organisations and other donors.

reach agreement on key priorities before proceeding further with the process of developing the strategy, and to create a joint knowledge base for the work to come at the Government Offices, Sida and other relevant agencies. Invited to the meeting are Sida and the ministries concerned, who in turn are responsible for inviting the relevant agencies under their jurisdiction to attend.

The assessment memo provides a basis for the start-up meeting. The meeting is to focus on establishing both the principle lines of approach in the coming strategy and a timetable for the process ahead.

Transparency guarantee: Notes from the start-up meeting are normally posted on the Ministry for Foreign Affairs' website.

1.3.3 Actors meeting

With the assessment memo and the start-up meeting as a basis for discussion, the Ministry for Foreign Affairs hosts an actors meeting in which Sida takes part. Also invited to the meeting are the ministries concerned, who in turn are responsible for inviting relevant agencies to attend.

The purpose of the actors meeting is to gather information, share experience and identify opportunities for collaborating with Swedish actors outside the Government Offices. The meeting is a follow-up to the dialogue with the actors launched earlier during preparation of the assessment memo.

The actors can provide input in the form of experience, knowledge and information about developments in the country or the region. This dialogue is to be structured in such a way that the focus is on opportunities for collaboration. At the meeting, the Ministry for Foreign Affairs describes how work on the strategy is proceeding: the assessment memo, the timetable, any instructions to the missions abroad, and which parties are involved. The actors are to be given the opportunity to comment on the assessment memo, to describe their own experience and to put forward proposals for collaboration. Actors from different spheres of society are to be invited to the meeting: the business sector, civil society organisations, including diaspora organisations, and other relevant institutions and associations.

During the strategy development process, a further actors meeting should be held in the partner country with representatives of the business community, organisations from civil society and other relevant institutions and associations active in that country. Decisions are taken at the start-up meeting, and the mission concerned will be responsible for this second meeting. See 1.3.4. Existing structures, such as the Business and Development consultation groups⁴, should be used where relevant.

Transparency guarantee: Notes from the actors meeting are normally posted on the Ministry for Foreign Affairs' website.

4. Business and Development consultation groups are currently being established at a number of Swedish missions abroad.

1.3.4 The Ministry for Foreign Affairs produces a strategy proposal

After the start-up meeting and the actors meeting, the Ministry for Foreign Affairs produces a strategy proposal. The assessment memo represents an important point of departure in this endeavour. Normally, the proposal is based on data from the embassy or consulate concerned. In each individual case, the Ministry for Foreign Affairs can specify what form this data should take. The strategy proposal is to be developed in dialogue with the partner country and in dialogue and collaboration with Sida. During the formulation and processing of the proposal, Sida may on request submit well-prepared contributions and additions.

In cases where the Swedish mission is required to provide strategy data, the Ministry for Foreign Affairs instructs it to submit such data, and also, where appropriate, a draft cooperation agreement. In certain specific cases, the Government may also instruct Sida to submit strategy data and, where appropriate, a draft cooperation agreement. See 1.3.5. Such instructions are to be brief and are to be drawn up at the Government Offices.

They are to include the following components:

1. Sweden's political priorities: The purpose of this section is to identify political priorities of relevance to development cooperation and to examine which policy areas should be addressed in the strategy process, why and in what way. The focus is to be on areas in which Sweden and the EU are deemed to exert an influence, such as economic growth, security, trade, environment and climate, agriculture, respect for human rights, and migration.
2. Swedish actors and relations: This section is based on the assessment memo and on the conclusions and recommendations generated at the actors meeting. The aim is to provide an overview of Swedish actors' activities and relationships with the country in question so that the missions abroad may take this into account when producing strategy data. This may include relationships with the business sector, with civil society organisations, including diaspora groups, and with Swedish public actors, and may also include other relevant relationships.
3. The direction of development cooperation: This section specifies the direction, scale and scope of the strategy data to be produced by the mission abroad. It should specify which policy documents, including policies for development cooperation, are relevant in this work. The section should contain instructions as to how the strategy data should be structured, which sectors it should address and what other kinds of information and analysis need to be considered or included. The instructions are not to repeat the general requirements concerning the process and strategies set out in the present guidelines or other policy documents. They are to facilitate sector concentration by limiting the number of priority sectors or cooperation areas.⁵ See 3.1.6.

The instructions are further to state whether the strategy is to contain development scenarios for the country and whether the mission abroad is to produce a draft cooperation agreement. The instructions are to state whether the mission in preparing the strategy data should plan on the basis of an unchanged, an increased or a reduced funding amount.

The Swedish mission, in cooperation with Sida, is to hold consultations with the partner country and with other donors and actors. These consultations are to be structured in such a way as to ensure maximum aid effectiveness in each country situation. Continuous consultations may be appropriate in some cases, whereas in others it might be preferable to hold a country meeting together with the Ministry for Foreign Affairs and Sida as a way of deepening the dialogue further. Missions should also consult with and gather information from the business sector, civil society organisations and other relevant institutions and associations active in the partner country, both national and Swedish. See I.4 on strategy content.

1.3.5 Government decisions on cooperation strategy and cooperation agreements

The cooperation strategy is finalised by means of a government decision addressed to Sida and, where appropriate, to other agencies entrusted with the task of implementing all or parts of the strategy. Decisions on whether to conclude cooperation agreements are taken by the Government.

The Government can authorise Sida or another agency to enter into a cooperation agreement on the basis of a draft agreement. This should coincide with the formal government decision on the cooperation strategy. The cooperation agreement's period of validity should match that of the strategy. The purpose of this agreement is to establish the areas in which Sweden is to act, to specify funding ceilings, and to determine both which areas are of importance for the dialogue and any terms or conditions that may govern the cooperation.. When a strategy is extended, Sida may extend the cooperation agreement. When a cooperation agreement is to be extended for some other reason, a government decision is required. Sida is responsible for concluding agreements on procedure.

Transparency guarantee: The Ministry for Foreign Affairs is responsible for ensuring that the cooperation strategy is translated into English. Sida is responsible for ensuring that the strategy is translated into other languages

5. The term 'cooperation area' may coincide with Sida's sectoral classification, but may also have wider implications. Economic development is one example of a cooperation area that transcends sectoral boundaries. In May 2010, Sida's sectoral classification encompassed 12 main sectors: Health; Education; Research; Democracy; Human rights and gender equality; Conflict, peace and security; Humanitarian aid; Sustainable infrastructure and services; Market development; Environment; Agriculture and forestry; Budget support for poverty reduction; and Others. Hereafter, the term sectors will be used in these guidelines.

where required. Normally, the official Swedish and English versions are to be posted on the Ministry for Foreign Affairs and Sida websites.

1.3.6 Launch of the Cooperation Strategy

The Ministry for Foreign Affairs decides whether or not a strategy launch is to be held. The strategy may be launched either in Sweden or in the partner country, or in both. The occasion represents an opportunity for the Ministry for Foreign Affairs, Sida and the mission concerned to address the new strategy together and to discuss its implementation on the basis of the current country situation. Where appropriate, other relevant ministries and their agencies may also take part. In some cases, other actors may need to be invited to attend the launch, such as civil society organisations, the business sector and/or other associations and institutions.

1.4 Cooperation strategy content

The cooperation strategy will govern Swedish development cooperation with the partner country or region concerned during the strategy period.

The strategy document is to be no longer than twelve pages.

The figure below shows the cooperation strategy's table of contents. This is followed by a section for each heading, with guidance on content.

TABLE OF CONTENTS FOR COOPERATION STRATEGIES

Summary

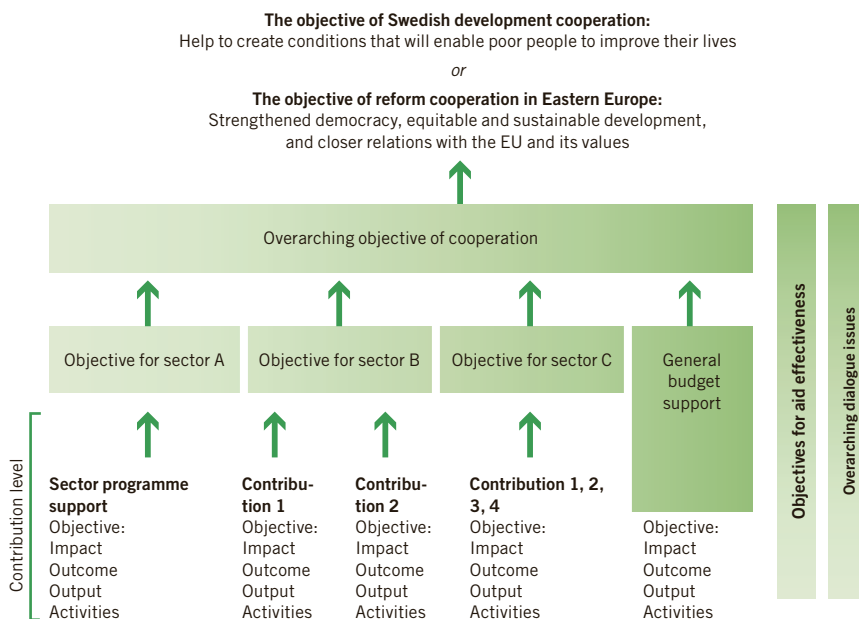
1. Overarching objective and priorities, objectives and priorities for aid effectiveness, and overarching dialogue issues
2. Sector 1:
 - Sector objective
 - Direction
 - Collaboration with other donorsSector 2: as above
Sector 3: as above
3. Funding amount
4. Risk management
5. Development scenarios in the country
6. Policy Coherence for Development
7. Considerations regarding the strategy direction

Structure of objectives in cooperation strategies

To ensure a systematic follow up and evaluation process, the strategy objectives are to provide a basis both for the way the strategy is designed and for its implementation and follow-up. This means that the objectives must be both realistic and carefully formulated.

An objective describes a desired result or state of affairs at some future point in time. It can be expressed as a quantitative or qualitative change over a given period of time. Objectives can be divided into different levels and thereby create a structure of objectives. The structure of objectives in a cooperation strategy is shown in the figure below. Objectives are set at the following levels: output, outcome and impact.

FIGURE 3 Structure of objectives in a cooperation strategy



The objectives and the dialogue issues in the green boxes are decided by the Government and are included in the cooperation strategy. The contribution level is decided by Sida. The purpose of the figure is to make clear the structure of objectives for Sweden's bilateral strategy-based development cooperation as a whole.

1.4.1 Overarching objectives and priorities, objectives and priorities for aid effectiveness, and overarching dialogue issues

Overarching objectives and priorities

The cooperation strategy is to specify one overarching objective for Swedish cooperation with the country. This objective is not to be a reiteration of the objective for Swedish development cooperation or reform cooperation with Eastern Europe but must be specific to the partner country. The objective should state what long term effects (impacts) are desired. As a rule, the overarching objective is not met during the strategy period. Instead, it may have a time frame extending over several strategy periods. As far as possible, the objective should reflect the sectors specified in the strategy.

The overall Swedish objective should primarily be based on the objectives in the partner country's national development plan. Alternatively, it may take the form of an objective for how Swedish aid can facilitate the country's integration with the EU, an objective for increased stability and a lower conflict level in the country, or an objective for the reconstruction of a sustainable policy. The overall objective is to be followed up both at mid-term, where appropriate, and at the end of the strategy period.

EXAMPLES of overarching development cooperation objectives:

- All women, men, girls and boys living in poverty have access to education, health and a clean and healthy environment.
- Democratic institutions and sustainable environment policies have improved chances of gaining entry to the EU.

Objectives and priorities for aid effectiveness

The cooperation strategy is to specify 2–4 objectives for aid effectiveness. The objectives chosen must refer to areas of aid effectiveness that in Sweden's view require improvement in cooperation with a given country. Such objectives may for instance relate to Swedish alignment with the partner country's priorities and activities, greater use of programme-based approaches, closer coordination and a clearer division of labour, or sector concentration and a reduced number of contributions. Sweden is to seek achievement of the objectives by the end of the strategy period.

EXAMPLES of objectives for increased aid effectiveness:

1. By XXXX, XX per cent of aid to the public sector and/or XX per cent of the overall intervention portfolio will use the public financial management systems.
2. By XXXX, XX per cent of the intervention portfolio will apply a programme-based approach.

Dialogue issues

Overarching dialogue issues must be specified in the strategy. Overarching dialogue issues may relate to the strategy objectives, to the partner country's priorities, to Swedish policy priorities, to international agreements or to the two perspectives. Dialogue issues for individual sectors are not specified in the strategy. Sector-specific dialogue issues are established in a dialogue plan at the Swedish mission, drawn up in collaboration with Sida and in consultation with other donors. The dialogue issues for each sector should relate to the objectives in that sector. See 1.5.4.

EXAMPLES of text for overarching dialogue issues:

The strategy's overarching dialogue issues are gender equality, women's participation in the development of society, sustainable development and closer ties with the EU. Dialogue should be based on such issues as Country XX's gender equality strategy and its strategy for sustainable development.

1.4.2 Sectors

Sweden is to proceed from the partner country's own classification of sectors. In cases where Sida's sector classification does not correspond to that of the partner country, the preparation and implementation of the cooperation strategy, including the dialogue, is to be brought into line with that country's classification of sectors. Sida's contribution management system and statistical system are both to comply with the agency's sector classification. When the number of sectors in a cooperation strategy are counted, it is Sida's sector classification that is to apply. Reporting, however, is to follow the sector classification set out in the cooperation strategy.

Sector objectives

The cooperation strategy is to specify at least one objective for each sector dealt with. Sectoral objectives are to take the form of outcomes for people or systems by the end of the strategy period. The objectives are to be formulated in such a way that they can be followed up and achieved during the strategy period. They must, therefore, be concrete and realistic in relation to the cooperation and the situation in the country. The operations that Sweden supports should contribute to achievement of the sector objectives during the set strategy period. The objectives may be at different levels for different categories of partner countries and different types of cooperation. In cases where support is extended to the research sector, for instance, or to civil society outside other sectors, the objectives and direction of such cooperation is to be described in the strategy.

If there is uncertainty regarding the content of the contribution portfolio when the sectoral objective is formulated, the objective may be formulated in more general terms in the strategy. Sida must then give the objective concrete form during the strategy implementation phase. This makes it easier to assess later whether the contributions that Sweden supports have contributed to achievement of the sector objective.

If a sector encompasses support for a national sector programme or the like, the objective for that programme should take precedence and be used as the sectoral objective. In cases where Sweden supports part or parts of the sector programme, or where the sector programme's time frame does not correspond to the Swedish strategy period, formulation of the sector objective should be based on the sector programme objective. Objectives are to be

formulated in such a way that they are relevant from a rights perspective and from the perspective of poor people on development.

EXAMPLES of sector objectives:

A number of smaller contributions in a single sector

- The proportion of poor girls and boys to have completed a basic education of good quality has increased by five per cent over the strategy period.
- The country's authorities have increased their capacity to plan environment and climate legislation that is in line with EU legislation.
- The country's citizens have greater access to a legally secure and effective police service under civilian control.
- The number of newly started businesses has increased by five per cent over the strategy period.

Sector programme support

Maternal mortality has declined by three per cent during the strategy period.

Sweden supports a part of a sector. The Swedish objective reflects the national objective:

National sector objective:

- Increased and sustainable agricultural production, productivity and competitiveness to ensure a safe food supply, income opportunities, employment opportunities and poverty alleviation.

Swedish objective for support to this sector:

- The number of productive small farmers has increased by five per cent over the strategy period.

National sector objective:

- Better quality of life and social wellbeing with the emphasis on the poorest and most deprived groups and expansion of the education sector.

Swedish objective for support to this sector:

- The proportion of poor people with access to qualitative health care has increased by ten per cent over the strategy period.

Direction

The strategy must clearly illustrate the logical chain linking assessments, choice of sectors and the direction of measures in each sector. The sector direction is to be as explicit as possible. It must be made clear what types of operations/subsectors Sweden plans to support in seeking to attain objectives. Conceivable cooperation partners and aid modalities are to be made clear where possible. The basic principle is that Swedish contributions should apply a programme-based approach. See 3.1.4. If a programme-based approach is not possible, the reasons should be explained and alternatives proposed.

A discussion should include how contributions in support of the public sector, support for capacity development and support via civil society organisations might interact.

The strategy should show how the direction chosen may be expected to benefit the two perspectives. It is important that the direction of the strategy makes it easier for people living in poverty or other vulnerable situations to make their voices heard and to influence decisions of importance to them. It is also important that the strategy direction contributes to the strengthening of human rights. See 1.5.1.

Interaction with other donors

For each individual sector, the question of how Swedish aid interacts with other aid in that sector is to be discussed. The division of labour and Sweden's comparative advantages are both to be addressed. The strategy is to specify whether Sweden intends to provide support to a sector or activity on its own or together with other donors. It should be made clear, where such a course is warranted, how Sweden is to go about encouraging closer coordination. Discussion of this topic should also make clear what aid modalities other important donors in the sector have chosen, and how Sweden relates to such modalities. If the conclusion is reached that Sweden cannot coordinate its aid with other donors, the reasons should be given.

1.4.3 Funding amounts

To ensure proper planning and follow-up of funding, a strategy must include wording on the amounts involved. Such references should be worded as follows:

'The total amount will be SEK XX million during the strategy period. The annual amount will be approximately SEK XX million in 20XX, approximately SEK XX million in 20XX, and approximately SEK XX million in 20XX. This amount corresponds to a/an XX per cent increase/reduction on the previous strategy period.' It is advisable to present the various amounts in the form of a table.

The amount specified may only be changed following consultation between the Ministry for Foreign Affairs and Sida. Any change in the amount of more than +/- 10 per cent of the strategy sum requires a government decision. Where relevant, mid-term reviews may include a discussion on whether a change in the amount is justified.

1.4.4 Risk management

The strategy must discuss where Sweden stands in relation to the risks identified in the assessment memo. It must also discuss how Sweden is to

pursue the task of risk management, including anti-corruption measures. The strategy is to include an account of how risks can be prevented or dealt with when they arise by such means as capacity development, security mechanisms, dialogue and other joint donor actions, and by Sweden's own measures.

1.4.5 Policy coherence for development

The strategy is to include a brief account of the relevance of other policy areas in strengthening Sweden's overall contribution to equitable and sustainable global development in the country concerned. Aid provision is to be viewed in relation to other factors and objectives in other policy areas affecting development in the country. The purpose of this is to make policy as a whole more development-enhancing and to determine whether aid can act as a catalyst or as a supplement to these factors and/or development efforts in other policy areas. Positive synergies should be identified and any conflicts of objectives should be made clear.

1.4.6 Development scenarios in the country

Where required, development scenarios may be included in the strategy. The aim is to help Sweden adapt its aid to the course of events in the partner country.

Development scenarios should primarily be included in cooperation strategies for countries where there is reason to believe that events may take a sudden turn. Whether or not scenarios are to be included is specified in the instructions to the mission concerned. In cases where a country is positioned at a crossroads, e.g. between further conflict and peace, between progress towards democracy and a descent into a more totalitarian system, special emphasis is to be placed on formulating different scenarios and assessments of the consequences for the cooperation strategy. Such assessments are to focus in particular on consequences regarding choice of partner and aid modality. In such cases, the scenarios should discuss possible alternatives for sectors, partners and financial frameworks. It is important to ensure flexibility so that Sweden may choose between different courses of action depending on developments in a country or region. A change in circumstances may necessitate a revision of the strategy. Such matters are discussed at the geographical consultations or on other occasions as requested by the Ministry for Foreign Affairs or Sida.

1.4.7 Considerations regarding strategy direction

The strategy is to briefly describe the deliberations that led to the choice of strategy direction. It must clearly describe a logical chain linking the assessment memo and the proposed direction of the coming development

cooperation. Other considerations that helped shape strategy direction are also to be described.

1.5 Strategy implementation

Strategies are to be implemented in accordance with the guidelines set out in Part III of the present document: Effective Aid. This section discusses issues that must be borne in mind both when preparing the contribution portfolio and during the strategy implementation process as a whole: the impact of the perspectives, the dialogue and risk management.

1.5.1 Design of the contribution portfolio

Sweden's contribution portfolio in a partner country is to be prepared in such a way that implementation is as effective as possible and that the anticipated results can be achieved. In preparing contribution portfolios, Sida is to proceed from the sector objectives and direction outlined in the strategy. See 1.4.2. Sida is to respect the partner's priorities and base Swedish input on its activities. The basic principle is that contributions should apply a programme-based approach. See 3.1.4.

The aim is for the aid volume, the choice of partners and the choice of cooperation and financing forms to help make up a balanced portfolio with contributions that complement one another given the division of responsibilities with other donors.

In choosing partners and aid modalities, Sida is to assess how effectively these can contribute to fulfilment of the strategy objectives. Sida must also consider which actors engage in activities that reflect the rights perspective and the perspective of poor people on development. The appropriate level of cooperation should also be assessed. Both the national level and more specific geographical or thematic areas should be considered. Sida must further consider the partner's efforts to make its activities more effective and attain more of its objectives, and must also consider the importance of responsibility and openness vis-à-vis the target group.

Guidance on matters of importance associated with the preparation of the contribution portfolio, such as approach to aid effectiveness and choice of partners/aid modalities, is found in Part III.

1.5.2 How the perspectives affect strategy implementation

When the strategy is to be implemented, the two perspectives are to be viewed as a single, combined approach focusing on the individual as a driver of development. Contributions that Sweden supports should always proceed from the two perspectives and enhance their impact, e.g. by helping ensure that poor and deprived women and men are given a voice and can influence

decisions or by strengthening respect for human rights. Sweden is to prioritise both activities that are built on broad consultations with civil society and activities that have proved capable of addressing the problems and priorities of the poor and deprived. In applying these perspectives, Sida must maintain a realistic level of ambition.

During the implementation phase, Sida is to focus attention on development both at individual level and in society at large. Even when cooperation is of a more general nature, Sida should stress the need to follow up and draw attention to how the situation of individuals in the country living in poverty and deprivation is developing.

1.5.3 Risk management, including active anti-corruption measures

Risk may be defined as occurrences or circumstances that have an adverse effect on results. Thus risks are closely linked to results and must be identified, evaluated and dealt with in terms of how they affect the cooperation strategy and the anticipated results of contributions. On the basis of risk assessments, steps are to be taken. Risks are to be followed up, assessed and documented on a regular basis. During the strategy implementation phase, Sida should seek to join other donors in deciding how to deal with risks, and in particular should seek cooperation on risk prevention measures.

Risk management at strategy level

Sida must keep track of developments in areas of relevance to strategy implementation and be prepared to monitor and analyse any risks that may affect the implementation process or effectiveness.

Risk management at contribution level

Sida is to conduct its risk management work in accordance with the Ordinance (2007:603) on Internal Governance and Supervision. Sida will be responsible for ensuring that a risk management system is integrated into the contribution management process. Risks are to be identified, evaluated, managed, monitored, followed up and documented. In evaluating risks, Sida is to gauge the likelihood of them arising and what consequences they might have in relation to the contribution's implementation and effectiveness. Examples of measures that Sida might take to reduce or eliminate risks include auditing, training, agreement follow-ups, dialogue and negotiations on continued funding, or, should none of the other measures yield results, negotiations on the termination of funding. If in Sida's view, the partner is no longer fulfilling its part of the agreement, no funds are to be disbursed. As a rule, an assessment is made of what steps the partner needs to take to ensure a resumption of Swedish support.

1.5.4 Dialogue

The development cooperation dialogue has two principal aims: to ensure that Swedish policies have more impact and, using the dialogue as an instrument, to facilitate achievement of the strategy objectives and thereby strengthen implementation of the national development plan. In a development cooperation setting where joint donor programmes play an increasingly vital role, dialogue becomes even more important. Sweden must be an active dialogue partner with a clear set of basic values, not least as regards human rights and the fight against corruption. Sweden is to take part in joint donor dialogues and must also, where necessary, unequivocally pursue important Swedish priorities vis-à-vis both the partner country and other donors, including multilateral organisations. The bilateral donor dialogue may differ from the joint donor dialogue in both substance and direction.

Dialogue makes it possible to pursue long-term efforts to promote key thematic priorities and cross-cutting issues such as democracy and human rights, gender equality and the role of women in development, and environment and climate change, as well as the two perspectives. Dialogue is particularly useful for highlighting issues concerning the identification, assessment and handling of corruption. During the strategy implementation phase, Sida is to conduct a dialogue with Sweden's partners and other donors in seeking to actively combat corruption. Where possible and appropriate, dialogue issues should be coordinated with other donors, particularly the EU.

A dialogue plan must be prepared and followed up at the Swedish mission, covering both general and sector-specific issues. It is to be prepared by the mission in collaboration with Sida. The dialogue plan should establish the division of responsibilities and make clear the connections between different areas of activity both at the mission itself and between the Ministry for Foreign Affairs, Sida and the mission. The plan should specify any interaction with joint donor dialogue of relevance, particularly within the EU. It should show which national contexts and processes in the partner country the dialogue relates to. This may be a national plan of action, a draft law, a negotiating process or an event of importance for the country's development.

The mission's ongoing dialogue on strategy issues is to be conducted with the aid of technical assistance from Sida. If the dialogue on a policy issue acquires a political dimension and may affect Sweden's relations with the country as a whole, the mission is to consult with the Ministry for Foreign Affairs. This applies both to overarching dialogue issues and dialogue issues in a specific sector.

1.6 Follow-up

To ensure greater public access and transparency, and provide for greater accountability in development cooperation, it is important that the results of operations supported by Sweden become known both in the partner

country and in Sweden itself. Such information is to be communicated both to direct stakeholders and to the general public, both in the partner country and in Sweden. Sida must seek to ensure that the communication of results is incorporated into the partner's programme cycle.

Sida should follow-up contributions in accordance with its contribution follow-up system, regularly and at least once a year. The aim in this is to assess the extent to which operations supported by Sweden have yielded results. Follow-ups are to relate to the objectives (outputs, outcomes and impacts) defined for the contribution. The objectives at contribution level must be clearly linked to the objectives for the sector as a whole.

The follow-up is to function as a strategic management instrument. Together with its cooperation partners, Sida is to act on the result information generated by the follow-up. Sida is to create the means for redistributing funds and realigning the direction of aid in the contribution portfolio on the basis of this information. This should be carried out in a manner that is both predictable and transparent vis-à-vis the partner. Sida must constantly ask: Are the activities that Sweden is financing, either wholly or partially, proceeding according to plan and are the expected results being achieved? If this is not the case, what is the reason and what can or should the partner, Sweden and other donors do?

The follow-up for each individual contribution must also include a dialogue with those who represent the final target group for the activity Sweden is supporting. Sweden is to encourage the partner to report on how poor individuals themselves view the relevance and results of the operation.

In order that contributions may be followed up and results assessed during implementation, the objectives for outputs, outcomes and impacts must as far as possible be SMART, i.e. Specific, Measurable, Accepted, Realistic and Timed⁶.

When monitoring national developments and following up the overarching strategy objective and the sector objective, Sida is to make use of the partner country's own follow-up system and indicators as far as possible. Where there is a need to supplement the partner country's follow-up system, existing systems should be used as far as possible, for example the results frameworks of multilateral organisations and statistical databases.

The sector objectives and the objectives for aid effectiveness are to be followed up at least once a year and be included in the strategy report. The overarching cooperation objective is to be followed up at the end of the strategy period and, where relevant, in the mid-term review.

Sida is to evaluate bilateral development cooperation on a regular basis. This may include both thematic evaluations and evaluations of one or more strategy periods in a given country.

6. *Specific*, i.e. explicit and concrete so that all concerned can see the goal in front of them.
Measurable, so that it is possible to determine to what extent the goal has been achieved.
Accepted, i.e. that those affected by the goal do in fact accept it as a goal.
Realistic, i.e. that the goal is achievable.
Timed, i.e. that the date by which a certain result is to have been achieved is specified.

1.6.1 Indicators

A limited number of indicators are to be defined and used to follow up the results of contributions that Sweden supports and to follow up the strategy objectives. For each indicator, targets may be defined. Both qualitative and quantitative indicators should be used.

To enable assessments of progress, information on the initial situation must be available. Before cooperation begins, a baseline is to be defined for the indicators.

In accordance with the Paris Declaration, national indicators as specified in the country's development plan, sector plans or the like are primarily to be used. If these need to be supplemented so as to reflect Swedish priorities, existing indicators are to be used as far as possible, e.g. from multilateral organisations and/or civil society organisations.

1.6.2 Results matrix

When implementing the strategy, Sida is to use a results matrix to follow up both the results of contributions that Sweden supports and progress towards the strategy objectives. This results matrix is to be updated annually.

Sida will be required to prepare a matrix as soon as the Government has approved a new strategy. It will cover the strategy period as a whole and be regularly updated.

The results matrix is to have a uniform structure and be in two parts: a) a general part and b) a part for sectors and the contributions associated with them. The three largest contributions in each sector are to be included, as well as other contributions of strategic importance.

Once Sida has developed an efficient follow-up system that meets the same demands as those imposed on the results matrix, excerpts/reports from that system may replace the matrix. Sida is to consult with the Ministry for Foreign Affairs on what form these excerpts/reports are to take.

1.6.3 Strategy report

The aim of the strategy report is to describe each year what results have been achieved from operations supported by Sweden, and to identify any problems that may have arisen during implementation of the strategy. The strategy report is to serve as a basis for geographical consultations between the Ministry for Foreign Affairs and Sida. It is to be structured in accordance with the strategy's sectoral classification and be framed concisely. Content is to be such that it may be communicated to external target groups. Sida is to consult with the Ministry for Foreign Affairs on the strategy report's format.

The strategy report is to contain:

- An account of implementation and results at contribution level (the three largest contributions per sector plus other contributions of strategic importance). Reported results are to be related to the contribution objective. Absence of results/deviations are also to be reported. Results described in the report must be verifiable. Besides results, the report is to contain information on the length of the agreement period, the amounts involved, cooperation partners and aid modalities.
- A follow-up on the sector objectives and the objectives for aid effectiveness.
- An analysis and assessment of whether and in what way the contributions and the dialogue have contributed to each sector objective, separately or together. Conclusions and measures based on what results have been achieved or not achieved are to be set out. The report is also to discuss how work on aid effectiveness and risk management is progressing in each individual sector. In addition, the report is to contain a description of how the two perspectives and the thematic priorities are being given consideration (these accounts may include/be in the form of examples per sector).

The overarching cooperation objective (impact) is to be followed-up both in mid-term reviews, where relevant, and at the end of the strategy period. This will then become part of the assessment memo on which a new strategy period will be based. Follow-ups are to use pre-defined indicators. When performing this follow-up, Sida is to analyse developments in the country and relate them to the overarching cooperation objective.

Transparency guarantee: Strategy reports, results matrices and evaluations of various kinds (e.g. contribution evaluations, country evaluations and thematic evaluations) are normally made available on the Sida website.

1.6.4 Geographical consultations

The purpose of the geographical consultations is to enable the Ministry for Foreign Affairs and Sida to review the cooperation strategy's implementation and results in a structured manner.

Such consultations are to be held twice a year. One of these meetings is to focus on the results of the previous year while the other is to focus on strategy implementation.

At the consultations, Sida is to inform the Ministry for Foreign Affairs as to how implementation is progressing. Topics are to include choice of contribution, what results have been achieved, departures from anticipated results, and any other problems or challenges relating to implementation of the strategy. Sida is to describe how collaboration and dialogue with other Swedish actors is undertaken. Questions concerning future funding

amounts may be discussed here, as well as dialogue and budget support issues. These consultations are intended to provide a basis for decisions on possible changes in the direction of cooperation, or in its scale and scope. Sida must deliver its strategy reports to the Ministry for Foreign Affairs in good time prior to geographical consultations. See 1.6.3. At the consultations, Sida is responsible for ensuring that relevant information concerning the implementation and results of Swedish cooperation is provided to the Ministry for Foreign Affairs. The Ministry for Foreign Affairs is responsible for outlining the Government's views both on developments in the partner country and on Swedish development cooperation.

In the case of countries and regions requiring special discussion, consultations should also be held on a separate occasion. Sida is to consult with the Ministry for Foreign Affairs as soon as changes occur that alter the basic preconditions for the strategy or significantly affect the chances of implementing it.

1.6.5 Mid-term review

The purpose of mid-term reviews is to ensure that the strategy is still relevant and that it is being implemented according to plan. Whether or not a mid-term review is to be carried out must be established in the strategy. Mid-term reviews are primarily required in the case of countries where there is reason to believe that the situation may change rapidly, or where such a change has already taken place. The mid-term review is to make clear whether the direction, scale and scope of the strategy need revising. Revisions are subject to a government decision. In connection with the mid-term review, Sweden should engage in dialogue both with the partner country and with other donors. Dialogue with civil society actors is also desirable in this connection. In addition, sufficient time must be set aside for internal discussions between the Ministry for Foreign Affairs, Sida and the missions abroad so that the mid-term review may give rise to clear and unequivocal conclusions and the adoption of measures for the remaining strategy period.

Sida is responsible for organising the mid-term review in collaboration with the missions abroad and in consultation with the Ministry for Foreign Affairs. Relevant issues and relevant follow-up in the mid-term review may include the following: altered conditions for strategy implementation, trends regarding effectiveness, how the concentration of sectors and contributions is proceeding, to what extent the two perspectives are having an impact, the results of efforts to promote aid effectiveness, category-specific considerations of various kinds, and updating of the list of Swedish actors operating in the country, including which sectors. Where necessary, the mid-term review may focus on developments in a specific sector.

Sida prepares supporting data for the mid-term review. This should be brief and to the point. The data should primarily be based on existing analyses

and reports but may also draw on the experience and conclusions of the missions involved in day-to-day strategy implementation, including dialogue and follow-up with partners. Separate Swedish studies in preparation for a mid-term review are to be avoided. In this data, Sida is to draw conclusions and provide the Ministry for Foreign Affairs with recommendations concerning whether changes may be required in the strategy. Sida's conclusions and recommendations may also be presented in the form of a report to the Ministry for Foreign Affairs following the mid-term review.

1.7 Assessment memorandum

As a rule, Sida is assigned in its letter of appropriation to submit an assessment memorandum at the end of a strategy period. This memo is to constitute a logical chain starting from an assessment of the poverty situation in the country, taking into account the various dimensions of poverty. This is followed by an assessment of internal and external factors that are either hampering or driving development, and of the government's commitments and planned measures for combating poverty and confronting the country's development challenges. Then follows an assessment of the results of activities that Sweden supports and of the situation regarding aid effectiveness, after which assessment is made of the risks associated with cooperation at a general level. Finally, the strategic role of Swedish aid is given consideration and conclusions are drawn on the future direction and form of this aid.

SUMMARY

1. The poverty situation
2. Internal and external factors affecting the country's development
3. The partner country's commitments and measures
 - a) Democracy and human rights
 - b) The national development plan
 - c) Economic policy
 - d) Public financial management systems
 - e) Corruption in the public sector
4. Results of previous cooperation
5. The roles of other donors, including the EU and multilateral organisations
6. Sweden's comparative advantages
7. Swedish actors' experience and expertise
8. Aid effectiveness
9. Risks
10. Considerations and conclusions

The assessment memo is to be delivered to the Ministry for Foreign Affairs on the date specified in Sida's letter of appropriation. The memo is to be available prior to the start-up meeting and should not exceed 30 pages. It should be adapted to both needs and the situation in the country in question.

In the case of countries where Sweden is considering budget support, the assessment must be comprehensive enough to provide a basis for decisions on both general budget support and sector budget support. In direction, the assessment memo is to be adapted to different country categories. Guidance on basic premises and points of departure etc may be found under each individual country category.

1.7.1 Preparing the assessment memorandum

A multidimensional view of poverty and sustainable development is to inform the assessment throughout. A rights perspective and the perspective of the poor on sustainable development are both to be applied. Existing documents and analyses, preferably undertaken by the partner country, will primarily form the basis for assessments. Where further analyses are required, these should as far as possible be undertaken jointly with other donors and/or with the partner country. The timing of these analyses should be adapted to ongoing processes in the partner country itself and not proceed from the Swedish cooperation strategy's process/cycle.

The assessment memo must include Sida's considerations and conclusions regarding the assessments, and is to result in proposals regarding choice of sector, partners and aid modalities.

1.7.2 The poverty situation

Starting from a multidimensional and situation-specific view of poverty – including an awareness that it may be experienced and dealt with in different ways by women and men – the assessment memo is to describe the poverty situation in the country. This assessment is to illustrate who is poor, how poverty is spread within the country and how poverty manifests itself. Information must be provided on the international poverty level (< 1.25 USD/day), the national poverty level and income distribution in the form of a Gini coefficient. Poverty is lack of power, opportunity and security, which includes lack of income and material resources. The various dimensions of poverty are to be addressed. Information may be drawn from integrated economic analyses, social analyses, gender equality analyses, power analyses, conflict analyses and environmental analyses. An assessment should be made on the extent to which poor individuals and groups or their representatives are able to make their views known regarding both the causes of poverty and measures to reduce it.

1.7.3 Internal and external factors affecting the country's development

Assessment is to be made of internal and external factors affecting the country's development and poverty reduction efforts. Relevant aspects to be addressed include:

- economic conditions such as infrastructure, energy, resource use, trade and economic policy;
- security;
- geographical location;
- migration;
- refugee situations;
- climate change;
- environmental problems and natural resources management;
- demographic profile;
- the health situation;
- power relations;
- gender equality and the rights and role of women in development; and
- financial flows.

The Government's thematic priorities in development cooperation must always be given due consideration.

1.7.4 The partner country's commitments and measures

Sida is to assess the partner country's commitments and measures in the five areas outlined below. Assessments are to examine the situation both at national level and in relevant sectors. They are to include commitments and measures and how these are reflected in plans, policies and systems. Central government's implementation capacity is to be assessed. Weak points and risks in each individual area are to be analysed and assessment made of how they can be dealt with through reforms and/or supplementary efforts.

a) Democracy and human rights

Assessment is to be made of the commitments and measures undertaken by the partner country's government regarding gender equality, democracy and human rights, and respect for the rule of law, including the opportunities available for demanding democratic accountability. The assessment is to proceed from the Swedish Government's policy for democratic development and human rights and the policy for gender equality and the rights and role of women in Sweden's international development cooperation. It should also examine the extent to which international human rights conventions that the country has ratified have actually been implemented, and assess the willingness of the government to implement them. An important aspect in this connection is how the country has followed up the recommendations both of the UN convention committees and of independent experts from the UN

and other organisations. Information from civil society actors is also an important source when assessing the situation, particularly in countries where freedom of speech is restricted and there is a lack of reliable information.

b) The national development plan

Assessment is to be made of the country's national development plan or the equivalent, in terms of its relevance, credibility and feasibility. The assessment should include ownership of the plan and the preparation and approval process. Assessment needs to be made of the government's consultations with representatives of individuals and groups living in poverty; or alternatively, of how, in preparing the plan via analyses, the government has taken on board problems and priorities that people living in poverty or deprivation of some other kind have identified. The plan's relevance from a rights perspective is also to be assessed. The assessment should further include how the strategy has been operationalised in the national budget and/or in the Medium Term Expenditure Framework (MTEF), and the extent to which the budget addresses poverty. With a certain emphasis on Category 1 countries, the assessment is to consider the extent to which health, education and other sectors focusing on poverty reduction are given priority by the partner country's government. Both follow-up systems, including the role of parliament and civil society, and results achieved so far are to be assessed.

c) Economic policy

Assessment is to be made of the partner country's economic policy as it is reflected in the national development plan and other key documents, such as IMF programmes, and also as it is reflected in the policies pursued, including the national budget. The focus should be on the chances of these policies leading to economic growth that is sustainable in the long term, to poverty reduction and to the establishment of macroeconomic stability.

d) Public financial management systems

The partner country's system for public financial management is to be assessed, where possible on the basis of a Public Expenditure and Financial Accountability (PEFA) analysis. This assessment is to cover the budget process, budget credibility, the scale, scope and transparency of the budget, the predictability and control of central government expenditure, procurement systems and systems for accounting and reporting, and external scrutiny and auditing. This review of the public financial management systems will provide a basis for consideration of whether the partner country's systems should be used in implementing the strategy. See 3.1.3.

e) Corruption

The partner country's willingness to combat corruption is to be assessed. The assessment should cover such aspects as the extent of the corruption, its

character, the government's attitude towards the problem and readiness to discuss it, and whether the government has made unequivocal and credible commitments and has taken steps to combat corruption. This includes the question of whether accountability is demanded when corruption is exposed. Success in the fight against corruption depends on whether legislation is in place that explicitly prohibits it and whether the justice system is able to enforce such legislation efficiently. The roles of parliament and the national auditing authority must also be analysed, along with the question of accountability, including the question of both civil society's and the media's ability to take action.

1.7.5 Results of previous cooperation

Sweden's development cooperation is to be based on experience of previous cooperation and the results obtained. Well documented results reporting in the form of fully developed, systematic follow-up of the operations that Sweden supports will therefore be required. Results are to be reported by sector, covering at least three contributions per sector and other contributions of strategic importance. Results must be verifiable. Analyses and assessments must show whether and in what way the results of contributions and the dialogue – both separately and together – have contributed to development in the sector towards the objectives set out in the strategy. To ensure accurate reporting of outcomes and impacts, assessments may sometimes need to look back beyond the current strategy period. With the help of the results report and the analysis, conclusions are to be drawn concerning the coming strategy. The results report is to confine itself to the sectors and contributions that Swedish cooperation covers and should not therefore engage in a general discussion of developments in the country. In relevant countries, assessment should be made of the results to date of implementing a poverty reduction policy.

The results assessment must be based on continuous follow-up and on any evaluations that may have been undertaken during the strategy implementation period. Such grounds for assessment and analysis may sometimes need to be supplemented by further studies. As far as possible, the aim should be to use the partner country's own annual follow-up of the poverty reduction strategy or equivalent, and of the Millennium Development Goals, and also to use other actors' evaluations and studies. If possible, the results assessment is to be carried out together with the cooperation partners concerned.

1.7.6 The roles of other donors including the EU and multilateral organisations

A survey of the largest and most relevant donors is to be undertaken. It should identify key donors, both bilateral and multilateral, including the UN system and the development banks, and examine their role and influence in the

country as a whole and/or in specific sectors, and also discuss the consequences of this for Swedish priorities in the countries.

Opportunities for dialogue and collaboration with multilateral organisations are also to be identified. An assessment is to be made of multilateral organisations deemed to be of relevance to Sweden's aid efforts in the partner country. This country-specific assessment is to proceed from the overarching organisation assessments or organisation-specific strategies in cases where such exist. It should also consider any partnership agreements that may be in place and include an analysis of the organisations' country programmes and roles in the country as they relate to the principles of the Paris Declaration etc. This assessment should further discuss other donors' comparative advantages, sectoral presence and their potential as a resource and/or a partner to Sweden.

Assessment is to be made of the EU country strategy papers, of the EU's role in the country and of current or impending EU-related issues and processes. Relevant Council conclusions, EU guidelines, the principles of the Paris Declaration and Swedish priorities are also to be considered in the assessment.

1.7.7 Sweden's comparative advantages as a donor

Assessment is to be made of Sweden's comparative advantages. These should be assessed in relation to those of other donors and should as far as possible be defined jointly with the partner country and other donors. They may include areas where Sweden is deemed to possess specific skills, resources, a high profile, experience, a certain amount of history, credibility or the like. A broader Swedish resource base may be one advantage, or previous ties with the country in question via the business sector or civil society organisations. Another advantage might be where Sweden has established a strong profile in a certain area over a long period as part of its development cooperation with the country.

1.7.8 Swedish actors' experience and expertise

Sida is to identify and consult with relevant Swedish actors as part of its preparation of the assessment memo. In this memo, Sida is to analyse which Swedish actors might be able to contribute expertise and experience. Where Swedish businesses or civil society organisations already operate in the country concerned, the lessons they have learnt, their assessment of the situation in the country and their views on development aid activities to date are to be considered. The experience of other Swedish agencies is also to be taken into account. Sida is to describe what steps or activities have been employed in inviting actors to take part in the strategy preparation process. These may for instance include thematic seminars, bilateral dialogue, discussions on

the results of the current strategy, joint field visits etc. The actors meeting represents a follow-up to the dialogue with the actors already initiated during preparation of the assessment memo.

1.7.9 Aid effectiveness

Assessment is to be made of the prospects for improving aid effectiveness. Assessments are to examine the situation both at national level and in relevant sectors.

a) Implementation of international commitments regarding aid effectiveness

Assessment is to be made of the extent to which international and national commitments regarding aid effectiveness have been implemented. The assessment is to focus both on the partner country's leadership and on the role of the donor community. It should make clear whether a local plan or some other local policy or agreement exists for the implementation of the Paris Declaration and Accra Action Plan, the degree of mutual responsibility and accountability, obstacles to effective implementation, and future prospects.

b) Dialogue

Assessment is to be made of the potential for implementing an effective dialogue with the partner country. Among the topics to be discussed are the opportunities available for implementing such a dialogue, other aid donors' dialogues with the partner country, the potential for collaboration within the EU circle in particular, dialogue forums and how they are to be structured, and the effectiveness and results of previous dialogues.

c) Division of labour and complementarity

Assessment is to be made of the situation regarding division of labour and complementarity. This is to be based on the above assessments. If the partner country is party to an EU initiative concerning division of labour, the implementation and results of this initiative and the undertakings involved are to be addressed.

As far as possible, assessments of division of labour and complementarity are to proceed from the partner country's surveys and analyses or multi-donor ones. Relevant coordination mechanisms are to be assessed, including their weaknesses and the partner country's plans regarding future coordination.

1.7.10 Risks

The assessment memo is to contain an analysis of the risks – including the risk of corruption – associated with the Swedish development aid objective and with the local context in which the strategy is to be implemented. The

assessment is to include risks associated with other criteria, i.e. risks at the general strategy level.

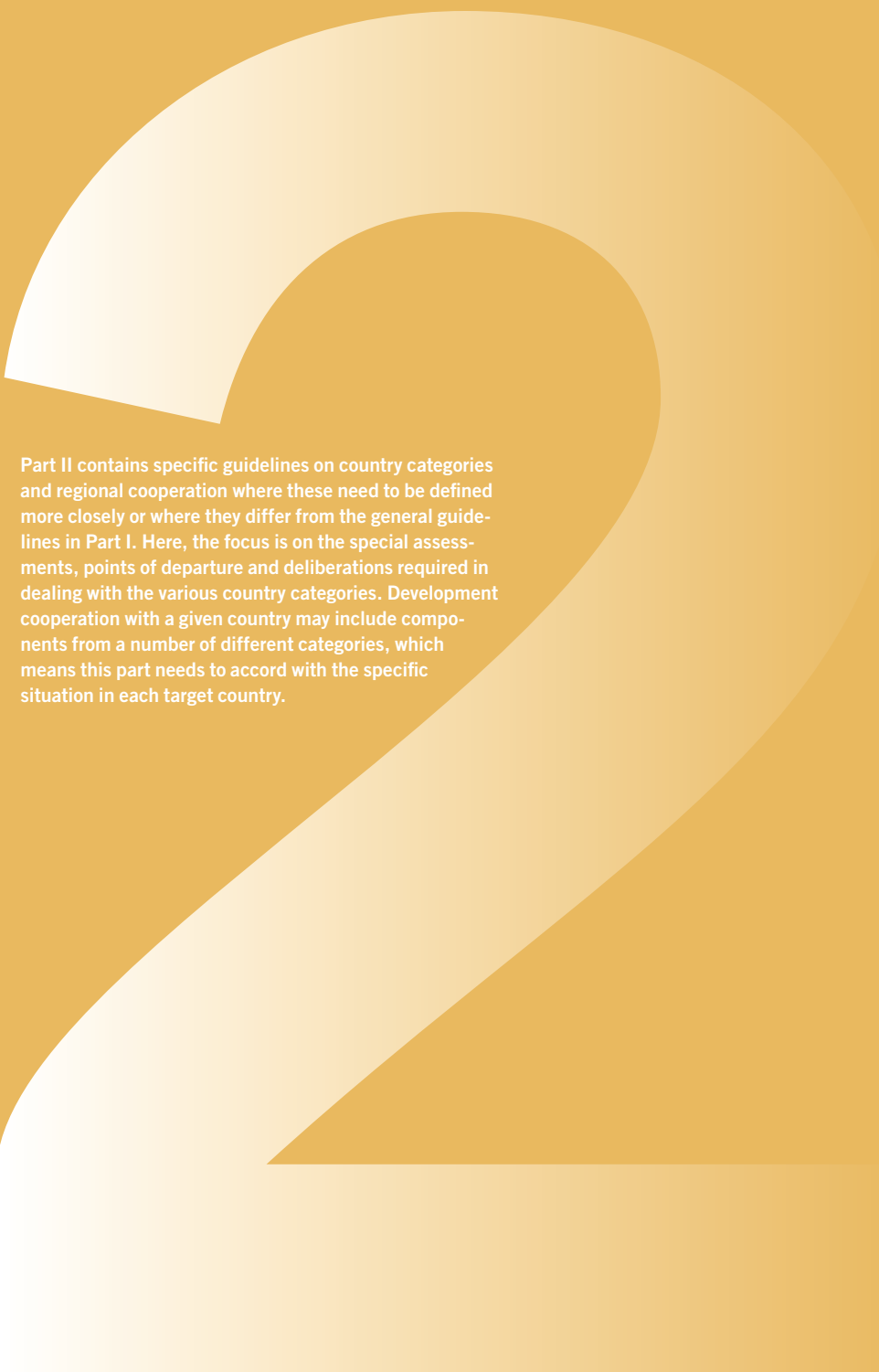
The assessment is to consider what level and type of risk is acceptable in the context in question. It should also give its views on how the partner country and Sweden ought to handle such risks, for instance by means of current or planned measures for dealing with the weaknesses thus identified, by cooperating with other donors on anti-corruption measures, or via choice of sector, partner and aid modality. The assessment is to draw conclusions as to how Sweden may effectively contribute to reducing risks in the country concerned.

1.7.11 Consideration and conclusions

The assessment memo is to culminate in considerations and conclusions regarding the role of Swedish development cooperation in the partner country. A structured discussion, based on the above assessments, is to be pursued on the future role of Sweden and Swedish aid in that country.

This should include considerations and conclusions on the future direction of aid in terms of sectors and types of activities that should receive Swedish support. Thus the focus in this section should be on the direction of Swedish development cooperation at the sectoral level. Where relevant, the conclusions are to include Sida's recommendation as to whether general budget support and/or sector budget support should be considered.

Dialogue areas of particular importance may be highlighted, along with risks of particular severity. Conclusions regarding Swedish actors who are potentially capable of contributing to the coming strategy are to be presented.



Part II contains specific guidelines on country categories and regional cooperation where these need to be defined more closely or where they differ from the general guidelines in Part I. Here, the focus is on the special assessments, points of departure and deliberations required in dealing with the various country categories. Development cooperation with a given country may include components from a number of different categories, which means this part needs to accord with the specific situation in each target country.

Specific guidelines on country categories

SWEDEN'S BILATERAL development cooperation is divided among different country categories that specify the general direction of cooperation with each individual country. Many partner countries are distinguished by a complex reality and may therefore relate to more categories than one. Part II is to be applied pragmatically and be adapted to the situation in each country.

The principles of aid effectiveness in part III are to be applied in a manner that is relevant to cooperation in each specific country category.

2.1 Category 1: Guidelines for cooperation strategies in countries with long-term development cooperation

2.1.1 The process of developing a cooperation strategy

Joint donor processes and strategies

Sweden should always take part in and encourage the development of joint donor processes and also take part in major EU coordination processes. Sweden should further encourage and take part in the development of Joint Assistance Strategies (JAS).

Below are some examples of joint donor processes and how they are to be approached.

- *Joint donor analysis but no joint strategy*
Sweden is to cooperate with other donors as far as possible when developing a Swedish strategy. The strategy should be based on the joint donor analysis.
- *A code of conduct should be developed*
Sweden should always take part in the work of developing a local code of conduct for aid effectiveness and/or other important aspects affecting the development cooperation effort. In cases where a Swedish cooperation strategy is already in place, the outcome of this work may necessitate revision of the strategy.
- *Several donors prepare a joint strategy*
Alternatives when developing a JAS:
 1. The Government decides that Swedish development cooperation with the country concerned is to be guided by the JAS.

2. The Government decides that Swedish development cooperation with the country concerned is to be guided by the JAS, and an appendix is added to the decision describing Swedish priorities in closer detail.
3. The Government adopts a Swedish strategy in the form of a chapeau or framework document accompanying the JAS.

In cases where a Swedish strategy is developed, it is to adopt a position on the partner country's priorities and the JAS and is also to include aspects that the Government considers to be of relevance to Swedish cooperation but that is not dealt with in the joint strategy.

As soon as Sida learns that joint donor strategy processes are being discussed or are under way, it is to inform the Ministry for Foreign Affairs and continue to keep it informed during the course of such processes. Sida is to provide a memorandum with an assessment of the most important features of the joint donor process, including the partner country's leadership, which donors are involved and the character of the strategy. The memorandum is to recommend a Swedish course of action and give the reasons for choosing such a course. Sida must also assess whether the process implies that a revision of the existing cooperation strategy will be needed, or whether a new strategy is required. In cases where Sida or the Ministry for Foreign Affairs decides that in all probability the strategy will need revision or a new strategy will have to be prepared, further participation in the process will be contingent upon specific government instructions to Sida.

If Swedish development cooperation is to be integrated into a coordinated process with other donors, some strategies may need to be extended or shortened for a transitional period. This is to be stipulated in Sida's letter of appropriation or by means of a separate government decision. Sida must provide the requisite information at an early stage so that a new cooperation strategy may be prepared in time.

Country strategies for EC assistance

The EU delegations prepare country strategy papers (CSPs) for EC assistance in consultation with the partner country and the EU's Directorate-General. Guidelines and drafts are communicated regularly to the member states, along with strategy evaluations. Sweden should take part in the development of the EU's country strategy. Important checkpoints are the preparation of the EU country strategy, the mid-term review and the end-of-term review.

2.2 Category 2: Guidelines for strategies in conflict and post-conflict countries

2.2.1 Introduction

Cooperation with conflict and postconflict countries requires greater flexibility and a higher level of risk-taking. Consequently, a sound grasp of national actors' different interests in a given country will be required, along with an understanding of which sectors need to be given priority. In partner countries with a limited presence on the part of the Ministry for Foreign Affairs and Sida, close cooperation with other donors and development actors will be essential.

2.2.2 The process of developing a cooperation strategy

Assessment memo

The assessment memo is to comply with the structure outlined in 1.7 but is to be adapted to the specific situation of conflict and postconflict countries. In exceptional cases, where no national strategy for poverty reduction exists, this may mean assessing the UN framework for cooperation with the country or the EU's cooperation strategy instead. In the event of departures from the structure in 1.7, the reasons must be given. In parallel with an assessment of public financial systems, assessment should be made of which financing mechanisms the multilateral organisations possess.

When assessment memo is to be prepared in the case of conflict and post-conflict countries, the following points are to be given special consideration, along with the areas mentioned in 1.7:

- The assessment memo is to take account of relevant international agreements of importance to conflict and postconflict countries. This may for instance include UN resolutions adopted in the Security Council or the General Assembly.
- The extent to which the Ministry for Foreign Affairs and Sida maintain a presence in the partner country is to be taken into consideration, along with any other Swedish civilian or military presence there. The account should include how dialogue with the country's government and other relevant actors is affected by a limited presence in the country.
- Assessment is to be made of development challenges related to causes of conflict, peace processes, peace agreements, the state of the conflict (in terms of the conflict cycle), the political situation and central government legitimacy. Where relevant, the legitimacy of other parties or actors should also be assessed.
- In cases where it is not possible to use national priorities as a starting point, peace agreements, national reconstruction strategies, joint donor strategies,

the UN or World Bank frameworks for work in the country concerned, and/or the EU's cooperation strategy may be used as a basis instead.

- Special emphasis should be placed on the assessment of civil society organisations, multilateral organisations and political parties, and on popular assemblies and local authorities, including security actors such as police and defence forces. Their role in the country and their chances of moving the situation towards a peaceful resolution, or of acting as a force for conflict prevention, should be discussed.
- The question of which parties Sweden might help legitimise by appointing them as cooperation partners, e.g. in a postconflict phase with a fragile peace, should be problematised. This should be linked to a power and conflict analysis, where such is available.
- Conclusions are to be drawn from any political dialogues that may be in progress, e.g. between the EU and the partner country under the Cotonou Agreement.

2.2.3 Strategy content

In conflict and postconflict countries, democratic movement towards greater legitimacy, rooted in civil society, is important. The strategy must make clear how Sweden intends to encourage such a development. Where relevant, the strategy is to specify how a combination of humanitarian contributions, project support and programme support is to be made available in order to meet needs in a flexible manner. Where appropriate, the need to apply a combination of short-term selective measures and long-term support should be particularly emphasised.

Based on Sida's assessment memo, various development scenarios are to be presented describing the country in question. See 1.4.6.

In cases where cooperation involves a higher level of risk-taking than normal, the strategy is to discuss this. Such a risk assessment should make clear both the dangers associated with cooperating with the government and the dangers associated with failing to do so. See 1.4.4.

Direction

The direction and structure of the contribution portfolio in each sector is to be linked to the specific phase of the conflict that the country finds itself in. To strengthen central government legitimacy, Swedish development aid must as far as possible support the construction of a sustainable, democratic state structure and uphold the rule of law. This should include helping to build a security sector that respects human rights and is under democratic control and supervision. First and foremost, therefore, cooperation should be planned in collaboration with the partner country's government. This may necessitate difficult decisions in choosing between short-term and long-term perspectives and priorities.

Sector concentration

In difficult environments where circumstances may change rapidly, there is sometimes reason to operate in more sectors than one. This should only occur in exceptional cases, however, when such a course is justified. Also, cooperation efforts in conflict and postconflict countries often necessitate a broad approach, involving for instance contributions to a joint donor fund (see below), and such work is not always divided into traditional sectors. The portfolio as a whole should be concentrated, and cooperation should focus on fewer contributions in each sector. In some cases, it may be necessary to count democracy and human rights and conflict, peace and security as a *single* sector, since there are strong links between contributions in these areas.

Policy Coherence for Development

To strengthen the overall Swedish contribution to equitable and sustainable development, the strategy is to reflect clear coherence between development cooperation, security and stability contributions and diplomatic dialogue. Connections are also to be made between humanitarian contributions, reconstruction efforts and more long-term efforts. In addition, the strategy is to reflect the EU's coherence work, particularly as it relates to the Treaty of Lisbon.

For cases where joint donor strategy processes are under way in a conflict or postconflict country, see 2.1.1.

2.2.4 Implementation

As far as possible, Sida is to design the contribution portfolio in such a way that funds can be flexibly redistributed between different forms of assistance and between agreed sectors, should new developments necessitate such a course. This presupposes flexibility in Sweden's agreements with implementing organisations. Programme-based approaches should be structured in such a way that funds can be redistributed to alternative areas, to activities or to implementing channels within the programme framework, should new developments require this. It must be possible to prepare small-scale contributions – involving for instance confidence-building measures – without delay.

As a rule, the situation in conflict and postconflict countries can change rapidly, which often makes it difficult to predict the course of events with any degree of certainty. The chances of achieving the objectives of a particular contribution are also difficult to assess. Risks associated with a contribution are to be weighed against what it might achieve if it is implemented and yields the results expected of it.

Dialogue

In countries where a peace process or the like is under way, it is particularly important to ensure that the dialogue being undertaken as part of the

cooperation effort is consistent with the political dialogue being undertaken with the partner country, and vice versa.

In partner countries where the Ministry for Foreign Affairs and Sida have only a limited presence or none at all, most of the ongoing dialogue will need to be conducted through other donors. Given the EU's Common Positions, the European Union offers a valuable starting point for joint dialogue. Most multilateral organisations also represent access points for the pursuit of Swedish issues vis-à-vis the partner country concerned.

Multi-donor trust funds

When the conditions for budget support or sector budget support are absent, Swedish contributions via multi-donor trust funds (MDTFs) can help finance current costs and poverty-reducing expenditures in the partner country's national budget. Such funds can contribute to greater predictability, a strategic joint donor approach and enhanced institution and state building, as well as reduced transaction costs. Thus MDTFs can serve as a basis for future budget support. These funds can also pass on aid to multilateral organisations and civil society.

Support channelled via an MDTF should primarily be non-earmarked. When planning such support, Sida is to consider the fund's relevance in terms of how it might contribute to achievement of the sectoral strategy objective. In addition, Sida is to consider what chances the fund has of strengthening national capacity, how it contributes to aid effectiveness, how it contributes to joint risk management, and how it is adapted to the specific country context.

Support channelled via a multi-donor trust fund should be based on an explicit Swedish assessment of the government's commitment, ownership and absorption capacity. If speed of action is required, it may sometimes be necessary to rely on the assessments of other donors.

There must be a clear link to the country or region's needs and to how these are expected to change over time, and also to national prioritisation processes. Swedish support is to be structured in such a way as to ensure flexibility between different budget items and priorities. Capacity development should be an early part of the fund's activity so as to enable the partner country to eventually take over the provision of basic community services. In cases where Sida is planning to support a fund that already exists, that fund's approach to capacity development is to be assessed.

When using an MDTF, a carefully considered balance is to be struck between multilateral and bilateral support. Sweden must actively encourage an effective and strategic division of labour between multilateral organisations and seek to ensure that the activities of different funds do not overlap one another. The partnership principles established by the UN and the World Bank are to serve as a guide when shaping Swedish development cooperation.⁷

7. See 'Fiduciary Principles Accord for Crisis and Emergencies, as part of the UN-World Bank Partnership Framework for Crisis and Post-Crisis Situations'.

Using the country's own systems

As far as possible, Swedish support is to use the country's own systems. When this is deemed unachievable, support is to be as compatible as possible with the country's systems and processes – an approach known as shadow alignment – and help to strengthen those systems. Since Sweden often makes use of multilateral channels, such as the UN or the World Bank, it should focus in particular on these organisations' efforts to strengthen partner countries' systems. If conditions do not permit using the partner country's own systems, funding may instead be administered by another donor – often a multilateral one – through which Sweden provides capacity support for the development of the partner country systems.

2.3 Category 3: Guidelines for reform cooperation in Eastern Europe

2.3.1 Introduction

The overall objective of Swedish development cooperation with Eastern Europe is stronger democracy, equitable and sustainable development and closer ties with the EU and its basic values. The European Neighbourhood Policy (ENP) and the Eastern Partnership (EaP) offer the countries of Eastern Europe a closer relationship with the EU in the form of political association and economic integration. The Stabilisation and Association (SA) process embracing the countries of the Western Balkans paves the way for future EU membership. These processes are designed to help bring about reforms which in turn facilitate economic growth and poverty reduction. Thus they represent the most effective way of combating poverty in these countries. By such means, reform cooperation is to contribute to the achievement of the overall objective of Sweden's Policy for Global Development, namely to seek to ensure equitable and sustainable development on the basis of a rights perspective and the perspective of poor people on development.

2.3.2 The process of developing a cooperation strategy

Assessment memo

The assessment memo is to comply with the structure specified in 1.7 but is to be adapted to Sweden's reform cooperation work. The countries of Eastern Europe and the Western Balkans usually have an EU integration plan – following from the commitments in the ENP action plan, the association agenda or the SA agreements – and also some form of national development strategy. These plans serve as a starting point for the assessment memo. The European Partnerships also represent an important document for the countries engaged in the SA process since they specify the EU's priorities for integration with the Union. In addition, these priorities serve as benchmarks in the EU's annual progress reports and as grounds for assessment

when allocating funds under the Instrument for Pre-Accession Assistance. This means they, too, should provide a basis for Swedish assessment memo. When preparing assessment memo for reform cooperation, the following points should be given special consideration:

- The country's efforts to move closer to the EU is to be assessed.
- An account is to be provided of the reform challenges facing the countries in areas of society relevant to EU integration.
- Poverty is to be assessed on the basis of aspects relevant to reform cooperation, so that the two perspectives may impact on the strategies.
- The country's national action plan for EU integration is to be assessed, along with the national development plan, where such exists. Assessment should include the country's chances of implementing these plans, and what role Sweden might play in facilitating their implementation. Should these documents conflict, priority is to be given to the country's commitments under its agreement with the EU.
- When analysing other aid actors, particular importance should be attached to the EU's role, including the role of Swedish development cooperation and complementarity in relation to IPA and the European Neighbourhood Partnership Instrument, ENPI.

2.3.3 Strategy content

In accordance with the EU's code of conduct on sector concentration, Swedish development cooperation should encompass no more than three sectors. Assessment is to be made of the sectors' relevance for the country's EU integration.

Where the situation in a country resembles a postconflict situation, broader cooperation may be warranted in exceptional cases. See 2.2.3.

2.3.4 Strategy implementation

Capacity and knowledge development are key components in reform cooperation, and here Swedish actors play a prominent role. The participation of such actors, therefore, should be actively encouraged.

In its reform programme, Sida should encourage the development of an aid-effective approach on the part of Swedish actors undertaking contributions. In some cases, cooperation may focus on project partnerships in major contributions as part of a programme approach.

During the implementation and follow-up of the strategy, it is important to bear in mind that the EU – via the ENPI in the case of Eastern Europe and the IPA in the case of the Western Balkans and Turkey – is the predominant donor to partner countries in the region. Sweden's bilateral cooperation with these countries should seek to support and supplement this effort. During the strategy implementation process, close coordination with the EU is

essential. Close dialogue with the EU delegations is crucial to the identification of those areas of relevance to the country's European integration in which Swedish development cooperation can play a supplementary role. This type of dialogue and coordination with other donors is also important.

Given the close links between reform cooperation and the ENPI and the IPA, Sweden must take an active part in preparing and reviewing the country strategy papers (CSPs) for EC assistance (ENPI) and pre-accession assistance (IPA) currently being developed by the EU delegations. Guidelines and drafts are to be communicated regularly to the member states, along with strategy evaluations.

2.3.5 Follow-up

Sida is to use the EU's assessment of progress towards EU integration in the partner countries in following up the implementation of reform cooperation. The EU's assessment is provided in the Union's annual progress reports on the implementation of each country's ENP action plan, association agenda or SA agreement.

2.4 Category 4: Guidelines for alternative forms of democracy and human rights support

In countries where state-to-state cooperation is not possible or desirable, special support for democratic development and human rights may be provided in alternative forms. In most cases, aid funding can be channelled to those civil society organisations and other actors that are striving for a democratic opening and greater access to both information and the media, to human rights defenders, to research institutes, to party systems and to culture-creating groups.

The planning, preparation and implementation of strategies for this country category is to be decided from case to case.

2.5 Category 5: Guidelines for selective cooperation

2.5.1 Introduction

Selective cooperation is undertaken in countries where traditional development cooperation in the form of state-to-state support is being phased out but where encouraging actor-driven cooperation of various kinds is still considered worthwhile.⁸ The purpose is to seek synergies and pave the way for a transition to sustainable cooperation of a type that in time will be able to continue without financing from the development cooperation programme.

8. See current Swedish government policy or guidelines regarding actor-driven cooperation.

Actor-driven cooperation is the most common aid modality in these countries. Traditionally, aid is also provided in the form of targeted contributions. In such cases, the general guidelines for development cooperation described in parts I and III apply.

2.5.2 The process of developing a cooperation strategy

A simplified strategy is to be prepared in the case of selective cooperation. Such cooperation largely comprises actor-driven cooperation, which is based to a great extent on the actors' own initiatives. Actor-driven cooperation cannot be and should not be planned to the same extent as long-term development cooperation, which means that the strategies shall not guide at the same specific level, either.

The Swedish mission plays a key role in identifying the country's needs, priorities and potential cooperation partners in various areas. The skills and expertise available at Swedfund should also be considered.

Conditions are to be created whereby potential actors and partners in both the partner country and Sweden have the opportunity to be involved throughout the process, the aim being to match the experience, needs and interests of the two countries' actors.

Assessment memo

The assessment memo is to comply with the structure specified in 1.7 but is to be adapted to the selective cooperation effort. This memo should be less extensive than is usually required for cooperation strategies. Assessments that are not considered relevant to selective cooperation are to be omitted. The main aim is to identify sectors that may be suitable for actor-driven cooperation and targeted contributions as part of the selective cooperation effort. When preparing the assessment memo, the following points should be given special consideration:

- The results of actor-driven cooperation to date and of any targeted contributions are to be assessed.
- Based on a development perspective, possible support areas are to be identified that match the interests, experience and needs of Sweden and the partner country's actors and in which actor-driven cooperation is to be encouraged.
- Actor relationships that are potentially self-supporting and can contribute to the overall objective of selective cooperation with the country are to be identified.
- The prospects for cooperation and cofinancing with other public actors are to be considered.
- Any remaining targeted aid contributions are to be given special attention, and assessments are to focus on results and on how such contributions may indirectly complement actor-driven cooperation.

Instructions

In addition to the general guidelines, the Ministry for Foreign Affairs is to make clear, when instructing the missions abroad on the preparation of supporting data for selective cooperation strategies, that the skills of other agencies besides Sida may need to be put to use.

2.5.3 Strategy content

Actor-driven cooperation is to serve as an aid to – and as a bridge between – development cooperation and broader, self-supporting relationships based on mutual interest.

The actor perspective is to inform the strategy throughout. Actors are expected to pursue the work themselves based on mutual interest and shared responsibility. Such aid is intended to act as a catalyst. For guidance on the objective of actor-driven cooperation and its fundamental principles, see the Government's policy/guidelines in this area.

As far as possible, the strategy is to specify what forms and instruments Sida is expected to use in implementing the strategy, but this list is not exclusive. The strategy is to specify how mutual political ownership is to be manifested, via for instance a memorandum of understanding (MoU), and how it is to be followed up, via for instance a joint working group.

The strategy should show how Sida intends to encourage actors to initiate cooperation by for example creating forums and establishing effective information and communication channels. A plan of communication is to be drawn up.

TABLE OF CONTENTS FOR SELECTIVE COOPERATION STRATEGIES

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Objective structure

The strategy is to describe an overarching development cooperation objective that includes both actor-driven cooperation and any targeted contributions. See I.4.I.

In the case of actor-driven cooperation, an objective is to be defined that is achievable during the strategy period, reflecting the activities pursued in this area. It is to focus on the development of such cooperation and on the potential for these relationships to become self-supporting. Contributions in this area are to contribute to the achievement of the objective for actor-driven cooperation for the strategy period. Indicators for following up the objective may include the scale and scope of actor-driven cooperation, the degree of self-financing both for the actor in the partner country and for the Swedish actor, the reciprocity of the relationships, and the involvement of additional actors.

Sector concentration

The EU Code of Conduct on Complementarity and Division of Labour is not applicable in the case of actor-driven cooperation. To ensure effective use of Swedish resources, however, the contributions portfolio should be concentrated in terms of the number of contributions. The process of preparing strategy content should initially be broad in scope so as to identify possible actors and sectors where these actors might conceivably operate. The mission should suggest priority sectors where actor-driven cooperation might have the desired impact. There must be opportunities to implement contributions in sectors that have not been specifically established in the strategy so that potential actors and areas not initially identified may also enter into partnerships.

Dialogue

A continuous dialogue both before and during the process is crucial to the task of ensuring ownership and mutual interest at political level in the partner country.

2.5.4 Implementation

Cooperation is to be organised in such a way as to encourage mutual interest and a division of responsibilities between actors, the aim being to help establish relationships that will endure over time without the need for financial support from the development cooperation budget.

Adequate staff resources for implementing the strategy in the partner country are to be secured. This may apply to missions abroad but also to potential alternative solutions, such as regional solutions or delegation to some other Swedish party.

2.6 Category 6: Guidelines for phaseout strategies

2.6.1 Introduction

The phaseout of contributions is to be implemented in such a way that Sweden is able to maintain good relations with the country in question. A vital component in this connection is dialogue with the partner country's government, cooperation partners, other donors and Swedish actors operating in the country. A phaseout strategy is based on the central component elements in the strategy process. Where cooperation is less extensive, Sida draws up a phaseout plan in consultation with the Ministry for Foreign Affairs.

A carefully considered phaseout strategy is crucial to the task of phasing out contributions in a responsible manner, regardless of the reasons for the decision. The phaseout period should be 2–4 years.

2.6.2 The process of developing a cooperation strategy

Assessment memo

The assessment memo is to comply with the structure specified in 1.7 but is to be adapted to the cooperation phaseout process. In cases where a phaseout strategy incorporates general budget support or sector programme support, these are to be assessed on the basis of the criteria specified in parts I and III. In other cases, the assessment memo is to be less extensive and assessments of no relevance to a phaseout country are to be omitted. When preparing the assessment memo, the following should be given special consideration:

- Priority measures that encourage sustainability and meet the need for supplementary action.
- A risk assessment emphasising the possible impact of the phaseout on Sweden's ties with the country.
- A review of current cooperation in each individual sector: scale and scope, length of agreements, aid modalities and cooperation with other donors and/or other actors.
- Consideration of whether other actors might be able to continue funding the activities to which Sweden has been contributing. EU cooperation is to be a special focus of attention.

Phaseout strategies are simplified strategies, and this should be reflected in the level of ambition for assessments.

Dialogue

A close dialogue with the partner country's government, cooperation partners and other donors is to be maintained in connection with phaseouts. Dialogue should also be conducted with other relevant actors in the partner country, both national and Swedish. The aim is to create conditions for sustainable

results and prepare the ground for the actual phaseout process. A further aim is to make clear that Sweden is phasing out its development cooperation with the country. The scale and scope of the dialogue may be adapted to the size of the partner country.

In countries where Swedish organisations are active in civil society and have commitments there, a dialogue is to be conducted with them on how the phaseout should proceed, so as to benefit both from their experience and from their networks. Dialogue is also to be conducted with multilateral organisations, particularly the EU, on the subject of Sweden's phaseout and how best use may be made of each organisation in the phaseout process.

2.6.3 Strategy content

The strategy should make clear that Sweden's bilateral development cooperation will not continue and should present a timetable for the phaseout. It should also specify the direction of whatever support remains, the objectives involved, and whether and if so how projects and programmes may be passed on to other actors.

Phaseout decisions are to be communicated as early in the process as possible.

The strategy is to specify how cooperation is to be phased out and, where relevant, what limited supplementary action may be required during the phaseout period to help ensure the sustainability of gains made in the projects, programmes and processes under way.

It should also be made clear in the strategy how Sweden's relations with the country might be maintained and preferably improved. This is also to be reflected in the plan of communication that will be needed. See 2.6.6.

2.6.4 Implementation

There must be enough capacity at the Swedish mission to ensure that the phaseout is implemented in a responsible manner. Current contributions are to be treated with care so that the results achieved and the sustainability of projects and programmes are not adversely affected. Contractual terms and conditions are to be respected.

2.6.5 Follow-up

Considerable importance should be attached to the task of documenting the results of activities supported by Sweden in relation to the prescribed objectives. To ensure accurate reporting of outcomes and impacts, assessments may sometimes need to extend retroactively beyond the current strategy period. The period that needs to be suitably documented, e.g. through seminars, is the phaseout period itself and the relevant period of time that preceded it. Normally, the follow-up is communicated to other donors and actors.

2.6.6 Plan of communication

A special plan of communication relating to the phaseout is to be drawn up by the Swedish mission in conjunction with the phaseout strategy. The plan is to be in two parts. Sida is to assist the mission in the preparation of one of these parts, the aim of which is to ensure a responsible phaseout of Swedish development cooperation and to help secure sustainable results. The Ministry for Foreign Affairs is to assist the mission in the preparation of the other part, the aim of which is to encourage the development of other ties between the partner country and Sweden, including ties with the EU and multilateral organisations.

The plan of communication will not be a part of the phaseout strategy.

2.7 Guidelines for regional cooperation

2.7.1 Introduction

Regional strategies are to focus on problems, challenges and obstacles to development shared by a number of countries, and must add specific regional value. Added regional value here implies that regional cooperation is to support activities that are expected to generate better impacts and outcomes through a regional approach than would have been possible through bilateral cooperation. Issues that are often of regional relevance include the following: regional public goods, the management of joint water resources, infrastructure, regional economic development via trade and regional integration, democracy and human rights, environment and climate, migration, refugee situations, communicable diseases, peace, conflict and security, and research partnerships.

2.7.2 The process of developing a cooperation strategy

Assessment memo

The assessment memo is to comply with the structure specified in 1.7 but is to be adapted to the regional context. Assessments of no relevance to regional cooperation are to be omitted. When the assessment memo is prepared, the following should be given special consideration:

- Regional development challenges.
- Regional public goods.
- Other bilateral and multilateral donors' regional support, with a certain emphasis on the EU's regional strategies.
- A survey and analysis of relevant regional actors and their activities. The term regional actors refers primarily to intergovernmental organisations and institutions, other regional institutions, organisations and civil society bodies, and also to multilateral organisations acting under the mandates of regional organisations.

- Existing coordination mechanisms at regional level, other donors' plans and activities, ownership, and the countries' chances of incorporating regional activities into a national perspective.

The EU Code of Conduct on Complementarity and Division of Labour is to guide the development of a regional strategy.

Preparing a strategy proposal

The Ministry for Foreign Affairs prepares a strategy proposal. In certain cases, the ministry may instruct a Swedish mission responsible for coordination to specify which regional challenges need to be dealt with via regional processes.

2.7.3 Strategy content

The strategy is to show what regional added value is to be derived from the proposed targets, prioritised dialogue issues, sectoral choices and sectoral direction. The regional strategy is to relate to the EU's regional strategies and to those of other multilateral organisations where this is deemed relevant.


As far as possible, Swedish support should be channelled to regional institutions and organisations. The regional partners with which Sweden enters into cooperation must have operational objectives that complement the priorities and needs of the partner countries. The strategy is to be based on the requests, needs and priorities of regional actors and on Swedish comparative advantages. It should not include contributions that fall outside the bilateral strategy framework, due for instance to sector concentration and/or a new direction for bilateral cooperation. What are known as 'multi-country' contributions are to be avoided.

2.7.4 Implementation

Dialogue

As a rule, a number of different Swedish missions are responsible for implementing a regional strategy. One mission is to be made responsible for each regional organisation receiving Swedish support.

The relevant missions and Sida should draw up a joint dialogue plan for each organisation as part of the regional strategy. Communication, however, should always be coordinated by the responsible mission.



Part III contains guidelines on how Sweden is to ensure that its aid provision is effective. This part is to be applied to all stages in the strategy cycle – from preparation to implementation and follow-up.

Effective aid

THIS PART CONTAINS guidelines for how Sweden is to ensure that its aid is effective. They are to be applied throughout the strategy cycle, i.e. in the preparation, implementation and follow-up of strategies. Section 3.1 describes how Sweden is to implement the Paris Declaration principles on aid effectiveness in its bilateral cooperation strategies. Section 3.2 specifies how Sweden is to select and relate to cooperation partners and aid modalities, including both how the principles of effective aid provision and a programme-based approach are to be applied. This section further contains specific guidelines on general budget support for poverty reduction, sector programme support (including sector budget support), stabilisation support and brief guidance on other aid modalities.

3.1 Applying the principles of aid effectiveness

Sweden has undertaken to implement both the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008). In November 2009, the EU adopted an Operational Framework on Aid Effectiveness⁹.

Sweden is to comply with this framework and encourage other member states and EU institutions to comply both with the framework and with other EU commitments that promote aid effectiveness.

Commitments regarding effective aid are to apply in all country categories and aid modalities, and in relation to all cooperation partners, although adapted to the specific situation in each partner country. When planning cooperation, international commitments such as those highlighted in the Accra Agenda for Action are to be considered and promoted. Sweden will seek to ensure that the principles of aid effectiveness are applied by all actors receiving or channelling Swedish aid.

3.1.1 Focusing on development results

Both the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action place greater emphasis on development results. This includes the responsibilities of partners and donors vis-à-vis the citizens of the country concerned and also vis-à-vis the cooperation programme's target groups.

9. See Council Conclusions 15912/09.

Sweden must always base its analyses, decisions, dialogue and communication on the development aid results and context in each country. In addition, Sweden's development cooperation is to be based on its experience of cooperation in the past and the results obtained at that time. See 1.4.2, 1.6 and 1.7.5.

3.1.2 Adapting development cooperation to partners' priorities

Sweden is to respect partners' priorities and base its actions on their activities.

In cases where a policy issue given priority by Sweden is little prioritised by the partner, Sweden should primarily use dialogue in seeking to persuade the partner to upgrade the issue. Sweden may also provide support to organisations pursuing this policy issue.

3.1.3 Using partners' systems

Under the EU's Operational Framework, as the first option Sweden is to use the partner's systems for planning, budgeting, financial management, procurement, implementation, follow-up and evaluation, and for auditing. Cooperation with the public sector is to be recorded in key planning and budget documents and in the budget follow-up. Sweden must avoid establishing new parallel project offices and other types of separate implementation mechanisms. Parallel project offices currently in existence are to be gradually phased out. Domestic remuneration and incentive systems should be used.

In cases where it is not possible to align fully with partners' systems, Sweden is to avail itself of those parts of the systems that are usable. At the minimum, Swedish aid should be integrated into the partner's planning, be recorded in budget documents, be included in revenues and expenditures approved by parliament and be included in the partner's reporting. In addition, Sweden is to encourage donors and partners to jointly assess and agree on targets and measures that can improve and strengthen existing systems. In cases where temporary safeguard mechanisms¹⁰ are deemed necessary for dealing with failings in the systems in the short term, such measures are to help strengthen regular systems and should as far as possible be taken together with other donors. When temporary safeguards are used, a strategy for their phaseout should be developed. Decisions not to use partners' systems fully or in part are to be reviewed on a regular basis.

10. A safeguard mechanism is a measure employed outside regular processes to help improve financial control and deal with risks.

3.1.4 Applying a programme-based approach

A programme-based approach is an approach used in development cooperation based on the principle of coordinated support for a locally owned programme, such as a national development plan, a sectoral plan or an organisation's programme. It is a means of applying the principles governing aid effectiveness by aligning with the partners' priorities, operational cycle and capacity, focusing on development results, striving to use partners' own systems and promoting coordination and division of labour under the partner's leadership.

Swedish development cooperation is to apply a programme-based approach as a starting point, regardless of what aid modality and partner is chosen. Where a programme-based approach is not possible, the reasons are to be stated.

Earmarked financing for specific programme or project activities should be avoided. Where Swedish support is earmarked, the reasons must be stated.

As far as possible, Sweden is to take part in and encourage initiatives promoting multi-donor processes. See 2.1. Sweden is to encourage partners and donors to agree on a framework that regulates objectives, terms and conditions, follow-up, reporting and capacity development within a programme framework.

Swedish support is to be adapted to the partner's planning and budget cycle. As far as possible, financial commitments for coming budget years must be confirmed in good time the previous year so as to provide a basis for the partner's budget work. If a programme-based approach cannot be applied, Sweden should be proactive in supporting the partner's efforts to create conditions that facilitate such an approach.

3.1.5 Promoting coordination and division of labour under the partner's leadership

Sweden is to push for implementation of the EU Code of Conduct on Complementarity and Division of Labour in Development Policy.¹¹

Sweden is to seek to ensure that the cooperation partner leads the process of coordination and division of labour in a given programme or sector. Division of labour and other measures in pursuit of aid effectiveness should be set out in a code of conduct or the equivalent.

Alignment with the country's priorities and systems is to take precedence over harmonisation with other donors. In cases where Sweden is operating in an environment with few likeminded donors, or where there is a lack of consensus on coordination and aid effectiveness, Sweden is to push for greater agreement.

11. See Council Conclusions 9090/07.

3.1.6 Concentrating sectors and contributions

Sweden should operate in no more than three sectors in each country on the basis of Sida's sectoral classification. Concentration is also to be sought within sectors and the number of contributions is to be limited. Besides aid to the three sectors, Sweden may provide general budget support for poverty reduction, support for research, support to civil society, and humanitarian aid. A less extensive cooperation strategy in terms of amounts (less than SEK 100 million per annum) should be more concentrated and normally encompasses only one or two sectors.

A cooperation strategy encompassing general budget support and three sectors must show good reason for such comprehensive support and must be more extensive (amounts over SEK 100 million per annum). When supplementary funding in support of accountability, capacity development and financial control is included in the planning of general budget support and sector programme support, it is counted as part of these types of support.

If the contribution portfolio contains research cooperation or aid for trade, and this aid represents a major share of the total country portfolio, it should primarily be counted as one of three sectors. Should such support comprise only minor contributions, these may be included in the country portfolio over and above three other sectors.

Support for a multilateral or cross-sectoral programme such as a reconstruction fund, an integrated rural development programme or a district development programme, specified as an integrated package in an agreement, is to be regarded as a single sector in itself.

Delegated cooperation within a sector is to be counted as a sector. In exceptional cases, it may be counted over and above the three sectors if cooperation is for a limited period and is embarked on for the purpose of phasing out a sector.

When phasing out a sector or a cooperation area, Sweden should primarily choose the option of full withdrawal. Delegated cooperation is to represent a second choice and is only to be used as a temporary solution. A responsible phaseout plan is to be adopted and shared with all parties concerned.

3.1.7 Promoting accountability

Sweden must actively seek to ensure that its cooperation is planned and implemented in such a way as to encourage broad ownership and help further national and local accountability. It must further seek to ensure that the programmes it finances as part of the cooperation effort have the approval both of popularly elected assemblies and of key stakeholders in the sector, organisation or thematic area concerned. Sweden is to actively encourage the partner country's government to create the kinds of conditions that enable citizens to participate in public life, to have access to information and to demand accountability at local, regional and national level.

Cooperation is to be structured in such a way that it fosters mutual

accountability. Sweden should encourage the partner country to undertake evaluations of how donors fulfil their international commitments regarding aid effectiveness.

Sweden is to aim for long-term, predictable and transparent development cooperation, aligned with the partner country's operational cycle.

Development cooperation involves undertakings on the part of both recipients and donors. Undertakings may concern general principles and prerequisites relating to Swedish cooperation. At contribution level, there are terms and conditions governing results follow-up, financial reporting and auditing.

As far as possible, conditionality and results indicators should be based on and drawn from the partner's own undertakings as reflected in a development plan, a plan of operations or the like. In some cases, other conditions may be warranted, assuming that they effectively promote compliance with the partner's undertakings and current regulations.

Mutual undertakings must be specified and documented in agreements between Sweden and the cooperation partner. The process of attaching conditions and assessing whether obligations have been met is to be undertaken in a predictable manner and be clearly communicated. Conditionality should be such that it promotes partner ownership and predictability of disbursements. Donors and partners should specify commitments and results indicators in a joint framework. Sweden should seek to limit the number of conditions and focus on aspects of importance for achieving development objectives and for ensuring adequate follow-up and control of resources.

Conditionality and dialogue may primarily be used in dealing with the partner country's undertakings regarding human rights, effective and transparent use of funds, efficient systems for financial control, follow-up and auditing, and accountability when corruption is exposed. Requirements are primarily to be manifested in intensified dialogue.

Sweden is to monitor and promote the partner's leadership in seeking to combat corruption in an effective and cohesive manner. Sweden will support the partner's efforts to combat corruption in accordance with the UN Convention Against Corruption. Where corruption is suspected, or the corruption situation deteriorates, Sweden should comply with the DAC guidelines on transparency and predictability¹². In particular, Sweden must be open about how it intends to proceed in the event of corruption and should endeavour to persuade the donor community and cooperation partners to agree in advance on what action to take should corruption be exposed. Sweden should support civil society in its efforts to take action in the event of corruption.

12. See OECD (2007): Policy Paper and Principles on Anti-Corruption 'Setting an Agenda for Collective Action', and the DAC Network on Governance: Joint Responses to Corruption Synthesis Report.

3.1.8 Contributing to capacity development

In its planning, processing and implementation of contributions, Sida is to consider how and to what extent the partner's capacity needs to be strengthened. The partner's own actions and the efforts of other donors are to be taken into account. Support for capacity development is to be integrated into regular contributions as far as possible. This type of support may target actors or factors outside the partner's sphere of influence.

Swedish support for capacity development must be based on needs and demand and must be structured in such a way that it promotes local ownership. When engaging in dialogue, Sida is to encourage the partner to draw up clearly defined and realistic targets for strengthened capacity. In cases where the partner lacks a strategy or plan for capacity development, Sweden is to encourage it to draw one up.

In cases where capacity development concerns technical cooperation, the partner is to be given the chance to independently choose the implementing body, which means it may also make use of local resources such as local expertise, consultants, training and research institutions, and South-South partnerships.

3.2 Cooperation partners and aid modalities

3.2.1 Cooperation partners

When planning the contribution portfolio, Sida is to take into account actors in the partner country, multilateral organisations, Swedish actors and new actors.

In the partner country

When planning the contribution portfolio, Sida is to strive for balance and complementarity in its choice of partners, for instance between the public sector, civil society and the private sector. The contribution portfolio is to be adapted to the specific situation in the partner country.

Where aid is intended to support the implementation of the country's development plan, direct cooperation with the public sector should be sought. Cooperation via a chain or succession of partners should be avoided.

Support for the country's executive power is to be balanced by support for the development and strengthening of actors and structures such as parliament and the national auditing system, the political party system, civil society organisations, the private sector and the media. Sida is to take into account the scale and scope of other donors' aid.

Multilateral organisations

Where Sweden supports multilateral organisations, Sida must seek to ensure that they comply with the principles of aid effectiveness in the implementa-

tion process. Sida is to encourage the multilateral organisations to apply a programme-based approach and to use the partner countries' own systems, and also to take part in joint financing arrangements.

As far as possible, support provided to a multilateral organisation is to accord with Swedish organisational strategy, where such is present. Also, it should preferably be provided under the country programme adopted by the organisation. If the UN has agreed on a joint country programme, support to UN organisations should only be provided under that programme.

Sweden must seek closer cooperation both within the EU and with EU institutions. Sweden is to take part in the development of the EU's cooperation strategies, both at the planning stage, in the mid-term review and in the end-of-term review. Opportunities for cooperation should be identified and encouraged. Sweden should also contribute to relevant EU processes in the partner country¹³. The EU has implemented regulatory changes that make co-financing easier and thereby improve aid effectiveness. Joint programming is a further option.

Swedish actors

Sida is to draw on the knowledge, skills and capacity found in Sweden in civil society organisations, the business sector and the public sector, including state-owned enterprises and academic institutions.

Sida is also to seek synergies with Swedish actors in pursuit of a coherent Swedish policy.

In addition, Sida should develop interaction with the business sector as part of the cooperation strategy.

New donors and development partners

Over the past decade, the number of partners in the development cooperation field has grown rapidly. These include global institutions, vertical and thematic funds, philanthropists, new donor countries and developing countries. Sida should seek forms for cooperating with these partners where this is compatible with the content of the cooperation strategy and contribute to synergies between donors and instruments.

3.2.2 General budget support for poverty reduction

The aim of general budget support for poverty reduction is to help achieve the objectives set out in the country's development plan or the equivalent. A further aim is to help strengthen the country's administrative system, with special emphasis on public financial management.

General budget support presupposes a considerable degree of mutual trust

¹³. See the Government's guidelines on how Swedish missions abroad can influence the planning of EC assistance. (RK-beslut 2009-10-15; UF 2009/75534/MU).

between the partner country and donors. The threshold for entering into an undertaking on general budget support, therefore, must be relatively high, as must the threshold for withdrawing or cancelling such an undertaking.

Basic prerequisites governing general budget support for poverty reduction

Five basic prerequisites must be met for general budget support to be granted, as follows:

- Fundamental respect for human rights and democracy, and clear commitments and measures to strengthen them;
- A national plan or equivalent for development and poverty reduction that enjoys democratic support and is generally deemed relevant, credible and feasible;
- A growth-enhancing, sustainable economic policy aiming at development and poverty reduction and incorporating macroeconomic stability as a necessary prerequisite;
- Public financial management systems that are sufficiently¹⁴ transparent, robust and effective to enable the support to achieve its objectives, along with a positive development of these systems;
- A clear undertaking on the part of the country's government to fight corruption in the public sector, and measures taken to this end.

Assessment of the basic prerequisites for general budget support must be an integral part of the documentation. In cases where general budget support is an option, the assessment memo is to examine the situation in greater depth and will therefore be more extensive than in the case of other partner countries. See 1.7.4. In the section on conclusions and recommendations, Sida is to state whether it views general budget support as a suitable aid modality in the country concerned.

For each basic prerequisite, a concerted assessment of strengths and weaknesses is to be provided. This assessment is to include both the present situation, trends and the prospects for future development. Factors to be weighed in here include current reforms and the extent to which general budget support can make a positive contribution to and be an effective means of poverty reduction in the country.

The assessment memo should also take a closer look at the results of the partner country's development policy and how both general budget support provided in the past by Sweden (where applicable) and budget support via other donors have contributed.

14. The term 'sufficiently' in this connection should be interpreted dynamically. Whether systems are sufficiently transparent, robust and effective must be judged on the basis of a concerted assessment of the strengths and weaknesses identified in them, the attendant risks (including the corruption assessment), the systems' quality and how they have developed, and the political commitment to reform and improvements.

The planning of general budget support for poverty reduction

General budget support is comprised of three interacting parts:

1. the financial contribution,
2. the terms/conditions and dialogue between donors and the partner country, and
3. supplementary measures.

The financial contribution

General budget support must have outcome and impact objectives that correspond to the sectoral objectives. These objectives should be clearly linked both to the country's development plan and to the Performance Assessment Framework, PAF. See 1.4.2.

As far as possible, the financial contribution should be designed to enable a predictable, proportionate and situation-specific response to the results obtained (graduated response). A model combining a fixed and a variable tranche may be one of several possible ways of focusing attention more specifically on results. The variable tranche is linked to a number of selected indicators from the performance assessment framework, and the size of disbursements is determined by the degree to which the targets have been achieved. The variable tranche should focus above all on results indicators from the performance assessment framework dealing with good governance and public financial management, including the effective use of funds and budget implementation. The indicators may be used to measure results at national level or sectoral level.

Sweden is to align its budget support cycle with the partner country's planning and budget cycle. Multiyear agreements should be used, and commitments relating to coming budget years should as far as possible be confirmed well in advance so as to provide a basis for the partner country's budget planning.

Disbursements should not be changed in the course of a budget year unless one or other of the basic prerequisites, as stipulated in the agreement, is no longer being met.

Terms/conditions and dialogue

Both the terms and conditions governing disbursements and the indicators for following up Swedish budget support are to be regulated in each budget support agreement. Sweden is to support and use multi-donor frameworks for budget support¹⁵.

The basic prerequisites are to be included in the contribution agreement as a condition for general budget support disbursement. In cases where the jointly agreed underlying principles closely reflect Sweden's basic prerequisites, the agreement should refer to these principles rather than to the Swedish

15. Memoranda of Understanding or Joint Financing Arrangements.

prerequisites. The Performance Assessment Framework or an equivalent framework is to comprise part of the agreement.

Normally, dialogue is to be coordinated with other donors. Sweden is to seek to ensure that the budget support dialogue takes into account and complements the dialogues under way in other forums in the partner country. Sweden should also seek to ensure that the dialogue on budget support and the political dialogue are coordinated.

Supplementary measures

Sweden's general budget support is to be combined with supplementary measures promoting capacity development, accountability and financial control, the aim being both to facilitate effective implementation of the country's development plan and deal with whatever risks are identified.

These measures may be a part of the partner country's reform programme or may be supplementary in character. The direction, scale and scope of these measures is to be adapted to ongoing institutional reforms, other donor contributions and to the character and extent of the risks involved. The measures are to take the form of an integrated package, contribute to capacity development in the partner country and help strengthen the country's processes and systems.

The purpose of promoting enhanced accountability through capacity development is to increase openness and transparency, to strengthen the exercise of control and scrutiny and to give citizens greater opportunity to take part in public life and demand democratic accountability on the part of those in power. This may include both support for reforms that contribute to greater transparency and capacity development support extended to parliament, national auditing bodies and other monitoring bodies. In addition, support to civil society and the media is to be considered.

The aim of capacity development for public financial management and financial control is the efficient planning, use and follow-up of public funds through improvement and expansion of the partner country's systems and processes. This may include support – via budget support or supplementary measures – for reform programmes and other measures designed to strengthen the systems for public financial management and prevent and combat corruption.

Swedish support is primarily to be directed at measures taken by the partner country as part of its reform programme. These reforms should be part of – and should be followed up within – the Performance Assessment Framework for budget support.

If the measures taken by the partner country are not considered sufficient in the short term, special measures for enhancing financial control may be considered¹⁶. As far as possible, these measures should be jointly agreed among donors and help both to ensure compliance with the partner country's current laws and regulations and to strengthen its systems. The purpose of such

16. Such as sample audits and system audits.

measures is to pave the way for budget support in cases where the basic prerequisites are met and this aid modality is deemed to be the most effective for achieving results but where public financial management and financial control are weak. Such special measures for financial control are primarily intended to help lower the level of risk without replacing national policies or processes and without taking responsibility away from the partner country. Where special measures to enhance financial control are considered, these should preferably be temporary in character.

Division of responsibilities and roles

Assessment of whether general budget support may be a suitable aid modality is included in the assessment memo, usually via a mandate issued in the letter of appropriation or when Sida decides that such analysis is warranted. Through its cooperation strategy decision, the Government adopts a position on whether general budget support may be suitable in the country in question.

The Government's decision on budget support is an authorisation for Sida to make the necessary preparations and decisions, to conclude agreements and to disburse budget support to the country concerned. Should the basic conditions for general budget support subsequently deteriorate, to such an extent that it is difficult to determine whether they have been met, Sida is to consult with the Ministry for Foreign Affairs before deciding whether to provide such support. This consultation must be documented. Both Sida and the ministry may initiate such consultations.

Where general budget support is concerned, Sida takes decisions on the amount, the terms and conditions, the design, and the type of agreement used. A budget support agreement may apply for no more than two years after the current strategy period ends. In deciding aid amounts, Sida is to be guided by the cooperation strategy.

Where necessary when preparing budget support, Sida is to update and deepen the analysis of the basic prerequisites for budget support set out in the assessment memo on which the cooperation strategy is to be based.

If the cooperation strategy specifies that the potential for general budget support is lacking, or if the strategy does not adopt a position on this aid modality and the situation subsequently develops in a favourable direction, a government decision is required before such support may be extended.

Risk management, including active anti-corruption measures

Before contribution decisions on general budget support are taken, the fiduciary risks and development risks associated with such a course are to be identified and evaluated. The question of how risks are to be dealt with must also be assessed.¹⁷

17. Fiduciary risk is defined to mean 1) that funds are not used for the intended purposes (implying for instance corruption), 2) that they do not achieve value for money, and/or 3) that they are not properly accounted for. The term development risk refers to the risk that the targets will not be attained and that development in the country will not benefit.

In the case of general budget support, it is particularly important to assess risks associated with the partner country's systems for financial management. The assessment of corruption risks is to address the question of whether steps are being taken to ensure that people are held accountable when corruption is exposed.

Risk management may also involve supplementary measures. Reforms should be introduced that take corrective action against weaknesses and risks over time. The identification and assessment of risks, and assessments of how they are to be managed, should be undertaken jointly with other donors as far as possible.

Assessments prior to disbursement commitments and decisions

When multiyear budget support agreements are involved, Sida is to make an annual commitment to provide the funds well in advance of the partner country's next budget year. Such a commitment may only be made in connection with budget support already decided upon. It is to be based on an assessment of whether the basic prerequisites governing general budget support, or the jointly agreed underlying principles in cases where these principles that have been contractually agreed, are still being met. The assessment should also examine other terms and conditions in the agreement and whether results have been achieved.

Sida is to carry out its own assessment of whether agreed results have been achieved, based on the annual joint donor performance assessment. Sida's assessment is to be documented.

Sida is to determine whether changes have occurred that adversely affect the basic prerequisites for budget support as specified in the agreement, to such an extent that these prerequisites are no longer being met. This assessment may be brief and should focus on the question of whether the situation has changed significantly since the previous assessment and whether the changes represent a negative trend. The assessment is to be documented.

Sida may not commit to the disbursement of general budget support, or disburse such support, when the basic prerequisites as specified in the agreement are no longer being met.

Should the situation have deteriorated to such an extent that it is no longer clear whether the basic prerequisites as specified in the agreement are being met, Sweden is to enter into dialogue with the partner country in accordance with the process laid down in the joint framework for budget support. Sida is to aim at a joint donor analysis and process, but must always make its own assessment of whether basic prerequisites, as specified in the agreement, are being met. During the dialogue process, disbursements of previously confirmed amounts, or parts thereof, may be considered after consultation with the Ministry for Foreign Affairs. This consultation must be documented.

If it is found that basic conditions are no longer being met, an impact assessment is to be carried out to determine the consequences of cancelling

commitments or disbursements, and assessment is also to be made of what steps the partner country's government needs to take before Swedish budget support can be resumed. As a rule, failure to meet the basic prerequisites for general budget support means that no funds are disbursed (see below). The ultimate consequence of a decision to suspend funding is termination by Sida of the contribution agreement on general budget support.

In special cases, disbursements may be considered even if the basic conditions are not met in every respect. Such a procedure requires a Swedish government decision. Where relevant, Sida is to submit data on which the Government can base its decision.

Follow-up of general budget support for poverty reduction

For the follow up of general budget support, see also 1.6.

Sweden is to join and actively promote multi-donor frameworks and reviews both of the terms and conditions governing general budget support and of the implementation of the country's development plan, led by the government of the country concerned and/or in cooperation with other bilateral and multilateral actors.

Budget support should be followed up against the indicators in the agreed performance assessment framework and that are included in the contribution agreement. Results indicators are to be based primarily on the country's national development plan or the equivalent. In this follow-up process, Sweden is to focus in particular on the development plan's implementation and effectiveness and on improvements in public financial management. A carefully weighted balance between output and outcome/impact indicators is to be sought.

In addition, Sida must continuously monitor the development of Sweden's basic conditions for general budget support as part of the strategy follow-up. See 1.6.

Sida must make efforts to ensure that the joint donor follow-up also includes methods for measuring outcomes and impacts of the policy for poverty reduction at grassroots level. Follow-ups and results must be communicable to external target groups both in partner countries and in donor countries.

In cases where a planned disbursement of budget support does not occur during the envisaged financial year, the Ministry for Foreign Affairs and Sida are to consult on a possible reallocation of these funds.

Specified instructions

Sida is to formulate specified instructions on the preparation, design, implementation and follow-up of general budget support for poverty reduction so as to ensure uniform application between countries in accordance with the guidelines.

3.2.3 Sector programme support – general principles

A sector programme comprises a strategy and a planning framework for development within a sector, a subsector or a policy area. Such programmes may be supported through a variety of financing modalities, such as budget support, multi-donor pooled financing or project support.

In the assessment memo it prepares as a basis for the cooperation strategy, Sida must as far as possible specify which financing modalities it considers to be the most effective in pursuit of the sector objectives. This assessment is to proceed from the specific character of the sector and from an examination both of the advantages and disadvantages of various financing modalities and the risks associated with them and of the chances of managing these risks.

An assessment of which financing modalities¹⁸ are most suitable for supporting the sector programme should include consideration both of the positive development effects of using the partner country's own systems and the risks associated with such a course. The anticipated consequences of not using the partner's systems are also to be addressed in the assessment. Sida should further consider the possibility of managing risk by means of supplementary measures. Risks associated with financing modalities of one kind or another are to be weighed against the extent to which the various modalities contribute to effectiveness.

In cases where the aid is extended to public administration, Sweden should prioritise sector budget support ahead of other financing modalities, where such an approach is feasible.

3.2.4 Sector budget support

The Government states in the cooperation strategy when sector budget support may be considered. In so doing, it authorises Sida to prepare and approve the support, to enter into an agreement specifying the terms and conditions and to disburse the funds.

Assessment factors for sector budget support

A general assessment of the conditions required for sector budget support provision is to be included in the assessment memo. This memo is to provide a basis for the Government's decision on whether sector budget support is appropriate. See 1.7.4. Of particular importance in this connection is a general assessment of the following factors:

18. Such as budget support to a partner country's national budget, core support to an organisation, multi donor pooled financing and project financing.
19. The term 'sufficiently' in this connection should be interpreted dynamically. Whether systems are sufficiently transparent, robust and effect must be judged on the basis of a concerted assessment of the strengths and weaknesses identified in them, the attendant risks (including the corruption assessment), the systems' quality and how they have developed, and the political commitment to reform and improvements.

- the cooperation partner's systems for financial management, and whether they are sufficiently¹⁹ transparent, robust and effective to enable the support to achieve its objectives, and
- the partner's undertakings and its systems and measures for preventing and combating corruption and for demanding accountability when corruption is exposed.

When preparing a decision on sector budget support, Sida is to update and deepen the above assessment where necessary, particularly as regards the sector targeted. Sida's assessment must also include:

- an assessment of the ownership of and democratic support for the sector strategy or the sector plan, its relevance and feasibility – including discussion of the partner's capacity – and its systems for follow-up and donor coordination, and
- an assessment of the extent to which budget allocation to the sector is in line with the sector plan and of whether the sector's financing is deemed sustainable in the long term.

Design of sector budget support

Normally, sector budget support comprises three interacting parts:

1. the financial contribution,
2. the terms/conditions and dialogue between donors and the partner country, and
3. supplementary measures.

The financial contribution

Sector budget support is to have outcome and impact objectives that correspond to the sector objectives. These objectives should be clearly linked both to the country's development plan and to the multi-donor follow-up framework. See 1.4.2.

A programme-based approach represents a long-term commitment, and agreements on sector budget support should therefore be multiyear in character. Swedish support is to be aligned with the partner's planning and budget cycle. Commitments relating to coming budget years should as far as possible be confirmed in good time during the preceding year so as to provide a basis for the partner country's budget planning. Disbursements should not be changed in the course of a budget year.

When designing sector budget support, Sweden is to consider how the sector programme relates to the national plan, the central planning ministry and finance ministry or the equivalent, and also how the programme may affect the relationship between national and local administration.

Sector budget support is to be designed in such a way that it does not split or obstruct a cohesive and coherent budget process based on the priorities and resources of the country concerned. Funds are to be channelled via

regular mechanisms under finance ministry auspices.

When the potential for both general budget support and sector budget support is present, complementarity and interaction between these aid modalities is to be sought regarding aspects such as objectives, terms and conditions, dialogue and risk management.

Terms/conditions and dialogue

The terms and conditions governing the follow-up and disbursement of Swedish support are to be regulated in each individual agreement on sector budget support. As far as possible, Sweden is to promote and make use of joint donor frameworks²⁰. Sweden should seek to ensure that the dialogue includes issues over and above policy and strategy, such as the development of budget frameworks, national systems and institutions.

Coordination at sector level must be compatible with structure and responsibility at national level. National processes in pursuit of accountability at various administrative levels are to be respected and encouraged. Coordination at sector level should relate to frameworks for coordination and dialogue associated with the national development plan.

Supplementary measures

See the section on supplementary measures in respect of general budget support for poverty reduction. A special assessment is to be made of the need for supplementary measures at sector level.

Should assessment reveal deficiencies in the conditions for sector budget support that might be adequately corrected by means of supplementary measures, Sweden should primarily consider sector budget support combined with such measures rather than other financing modalities.

Risk management, including active anti-corruption measures

See Risk management under 3.2.2.

Disbursement of sector budget support

Sida should confirm its disbursement commitment well in advance of the partner country's coming budget year. This commitment is to be based on the annual follow-up of results, which in turn is based on the agreed indicators at output, outcome and impact level.

Should Sida conclude that the conditions for sector budget support have deteriorated since the cooperation strategy decision, to such an extent that it is difficult to determine whether they have been met, the agency is to consult with the Ministry for Foreign Affairs before deciding whether to enter into any agreement, make a commitment or disburse sector budget support. Both Sida and the ministry may initiate such consultations.

20. The Code of Conduct and the Joint Financing Arrangement or Memorandum of Understanding.

Following up sector budget support

For the follow-up of sector budget support, see also 1.6.

Results indicators are to be agreed with the partner country and should be taken directly from or be based on the country's sector policy or sector plan. Sweden should seek to ensure that agreed indicators are based on a joint follow-up framework at sector level.

The process for following up sector budget support is to be based on the partner country's operational cycle. Sweden is to seek to ensure that the partner and donors' joint follow-up of development in the sector takes place at a point in time when it can provide a basis for the annual follow-up of the national development plan and contribute to it.

Specified instructions

Sida is to formulate specified instructions on the preparation, design, implementation and follow-up of sector budget support for poverty reduction so as to ensure uniform application between countries in accordance with the guidelines.

3.2.5 Other forms of sector programme support

Sida can take decisions on other forms of sector programme support without requiring government authorisation. The above guidelines on sector budget support also apply, where relevant, to other forms of sector programme support.

If the potential for sector budget support is not present, Sweden is to consider multi-donor pooled financing²¹ as an alternative. If pooled financing is the preferred option, Sweden is to use those parts of national systems that are deemed sufficiently transparent and robust. The reasons for choosing pooled financing rather than sector budget support must be given. Sweden is to push for a gradual shift to the use of national systems and sector budget support.

Assessment is also to be made of the risks associated with the use of parallel systems, such as possible fragmentation of the cooperation partner's own systems for financial management, including budget planning, financial follow-up and auditing.

3.2.6 Stabilisation support

Normally, stabilisation support is non-earmarked funding for a country's national budget, intended as a response to a clear and immediate need resulting from a profound change in society or a macroeconomic crisis. Its purpose is to help bring about macroeconomic stability and create the means to fight poverty. A partner country's need of stabilisation support cannot be foreseen.

21. The multi-donor pool/account can be regulated by special procedures for dealing with disbursement, procurement, follow-up, reporting and auditing.

This aid modality may be called for at any time during the strategy period.

Support may be extended to countries that have experienced a severe economic shock or to newly independent countries, post-conflict countries or new democracies in need of budget financing. Partner countries granted stabilisation support must normally have an economic policy arrangement with the International Monetary Fund (IMF). Swedish support should be provided as part of an internationally coordinated initiative.

The nature of this aid modality means rapid action and a higher level of risk-taking will be required. Sweden will therefore prioritise a fast-track preparation and decision process and consider taking a calculated risk.²²

Division of responsibilities and roles

Prior to the preparation and development of the appraisal memo, the Ministry for Foreign Affairs and Sida are to consult on whether stabilisation support should be considered. This consultation must be documented.

Sida produces data on the basis of which the Government decides whether stabilisation support is an option. Decisions to grant stabilisation support must be reviewed every year for a period not exceeding three years. As far as possible, amounts are to be in addition to those specified in the cooperation strategy.

Once the Government has taken its decision, Sida is authorised to formally approve the support, conclude an agreement with the country in question and disburse the aid. In cases where an extension of the support is under consideration, a new government decision is required.

Conditions for stabilisation support

Decisions regarding stabilisation support are to be based on a concerted assessment of the basic prerequisites that apply in the case of general budget support. In the case of stabilisation support, these prerequisites are usually not met in all respects. If so, Sida must assess whether the likely effect of such aid justifies taking a higher risk than usual. In each individual case, needs and expected effects must be weighed against the risks involved when the basic prerequisites for general budget support are not fully met. Sida must explicitly set out these considerations and also provide reasons and a risk analysis. The need for supplementary measures, if such are required, is to be included in the assessment. Conflict sensitivity aspects are also to be analysed.

Sida is to consult with the Ministry for Foreign Affairs before disbursing stabilisation support if the situation regarding the basic prerequisites should significantly deteriorate. Both consultations and assessments are to be documented. If it is concluded that the conditions for stabilisation support are no longer being met, or that the level of risk involved is no longer reasonable, stabilisation support is not to be disbursed.

22. In environments in which corruption is widespread and public financial systems weak, Sida may in certain cases consider financing prioritised and pre-defined expenditures in the partner country's budget, as an alternative to non-earmarked stabilisation support, in the event of a profound change in society or a macroeconomic crisis.

Design of stabilisation support

Normally, stabilisation support comprises three interacting parts:

1. the financial contribution,
2. the terms/conditions and dialogue between donors and the partner country, and
3. supplementary measures.

The financial contribution

The volume of aid is to be adapted to the partner country's needs and to the situation regarding the basic prerequisites.

As far as possible, Sweden is to align the timing of decisions and disbursements with the partner country's planning and budget cycle. Mechanisms for adapting the support to the partner country's budget process should be put in place, where they are not already present.

Sweden must seek to conclude agreements as part of a broader donor group. The terms and conditions governing disbursement and follow-up of the financial contribution should then have been jointly settled and regulated in agreements.

Terms/conditions and dialogue

Terms/conditions and results indicators must be agreed with the partner country and should be based primarily on the country's programme with the IMF.

The dialogue is to be coordinated and conducted with other donors, and is to focus primarily on following up both the results of the country's IMF programme and developments regarding basic prerequisites, and also, where appropriate, joint underlying principles. Sweden must seek to ensure that the multi-donor framework for dialogue on stabilisation support is consistent with the dialogue forums present in the partner country.

Supplementary measures

Where necessary, stabilisation support should include supplementary measures for enhancing financial management and control. Measures should primarily be taken by the partner country itself. If the measures taken by the partner country are not considered sufficient in the short term, special measures for improving financial control may be considered. As far as possible, these should be multi-donor in character and help ensure both compliance with the partner country's current laws and regulations and the strengthening of its systems. Measures to enhance financial control should primarily be aimed at lowering risk without taking responsibility away from the partner country.

Risk assessment and risk management

See Risk management under 3.2.2. Stabilisation support involves a high level of risk-taking. What level may be deemed reasonable varies from case to

case. For a high level of risk-taking to be thought justified, a process of developing a national plan for development, stabilisation, peace or the equivalent must have been launched. Normally, the country must have an IMF programme or what is known as an 'assessment letter' confirming that its macroeconomic policy is geared towards macroeconomic stability. Before the level of risk-taking can be described as reasonable, assessment needs to be made both of the systems for public financial management and of the partner country's commitments and measures for combating corruption.

An internationally coordinated effort and the presence of other donors may help to reduce risks. The assessment, therefore, should examine both the role played by other donors and any multi-donor frameworks for stabilisation support that may be in place.

The Ministry for Foreign Affairs and Sida are to hold regular consultations on the question of what level of risk-taking may be considered reasonable.

Follow-up and evaluation of stabilisation support

The follow-up is to comply with the corresponding guidelines for general budget support. The partner country's economic programme with the IMF, where such exists, is to provide the main basis for following up the aid.

3.2.7 Project support

Project support should be provided as part of a programme-based approach. As far as possible, it should target the cooperation partner's plans or programmes and use the country's own systems for procurement, disbursement, reporting and auditing. Project support should be registered in the budget.

Primarily, this type of support should be considered for the purpose of encouraging pilot projects and innovative activities of a short-term nature. Project support may also offer an effective response to a changing situation. If project support is granted separately, the reasons must be given.

3.2.8 Support to organisations

The principles of aid effectiveness are to apply in the case of Swedish aid provided to or channelled via an organisation. This may be a multilateral organisation, a central or local government organisation in the partner country, civil society organisations or other organisations. Swedish aid to an organisation is to be based on a programme-based approach, alignment with the partner country's priorities and use of the organisation's own systems. If possible, it is to be provided in the form of non-earmarked core support for the organisation's operation as a whole, or in the form of non-earmarked support for broad-based programmes.

3.2.9 Development loans and guarantees

In the case of development loans and guarantees, the Ordinance concerning Financing of Development Loans and Guarantees for Development Cooperation (2009:320) is to apply.

Development loans and guarantees are an aid modality that can be used to finance investments and measures in the chosen sectors.

For environment-related loans, the Swedish strategy for financing development loans and guarantees in connection with environmental projects and programmes (environmental loans) is to apply.

3.2.10 Actor-driven cooperation

Actor-driven cooperation may be used in all partner countries and categories. Current policy/guidelines for this aid modality are to be applied.

3.2.11 Definitions

Where necessary, Sida is to formulate definitions for the terms and aid modalities specified in these guidelines.



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