

The Nordic Plus Study Series

The ODA Systems of the UK, the Netherlands, Sweden, Norway, Denmark, Ireland and Finland

March 2009



Japan International Cooperation Agency UK Office

www.jica.go.jp

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Preface

This document is an introduction to what is now known as the Nordic Plus (Nordic+) group of donor countries, Denmark, Finland, Ireland, Norway, Sweden, the UK, and the Netherlands. The group is not a formal organisation, but an informal collective of like-minded donors who seek to further a set of shared concerns about harmonisation, alignment and country ownership in development assistance. Though individually several of the donors are quite small, their influence on the wider policy agenda has been disproportionate because they have acted as a coordinated group. When considered together their combined financial resources are also considerable making them extremely influential on the ground as well as in international fora.

The Paris Declaration was a product of ongoing discussions from the 1980s onwards, in which time new aid approaches such as sector-wide approaches (SWAps) and poverty reduction strategies were developed and mainstreamed. The Nordic+ embraced these trends and engaged in a so-called 'Harmonisation in Practice' experiment in Zambia in 2003, in which they took the principles that were emerging as an international consensus on development assistance, and turned them into a best-practice through their practical application at the country level. This experience directly informed the Paris Declaration which is now the cornerstone for the development cooperation of all DAC member countries. To understand the Nordic+ therefore is to understand the present development agenda, and most likely to get some idea of its future direction.

It is consequently of the utmost importance that JICA staff have an available resource that discusses these donors both as individuals and as a group, that recognises their common purpose but also their individual features, so that at both the country and international level JICA will better understand their aims and values, and therefore be better able to promote cooperation to further JICA's own mission.

For this reason the JICA UK office undertook a study trip to all the administrative centres of the Nordic+ in early 2008 to meet directly with officials and experts from within their ODA structure to better understand their systems and policies. It is hoped that these trips and their result, this document, will be of use to the whole of JICA.

Mitsuaki Furukawa
Chief Representative
JICA UK Office

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Please note for ease of reference each country chapter will contain a "Quick Facts" section and an identical box explaining "silent partnerships". This is so that each chapter can be read independently if desired.

Chapter 1 Synthesis



Abbreviations

CAP	- Country Assistance Plan	OECD	- Organisation for Economic Cooperation and Development
CSF	- Civil Society Fund	ODA	- Overseas Development Assistance
DAC	- Development Assistance Committee	PAEG	- Poverty Appraisal and Evaluation Group
DEK	- Effectiveness & Quality Department (Netherlands)	PARPA	- Programme for the Reduction of Absolute Poverty
DFID	- Department of International Development	PRSP	- Poverty Reduction Strategy Paper
EC	- European Commission	PSA	- Public Service Agreement
EDF	- European Development Fund	SADC	- Southern African Development Community
EU	- European Union	SIDA	- Swedish International Cooperation Agency
FAO	- Food and Agriculture Organisation	SWAp	- Sector Wide Approach
GBS	- General Budget Support	UN	- United Nations
GNI	- Gross National Income	UNAIDS	- Joint United Nations Programme on HIV/AIDS
IDA	- International Development Association	UNDP	- United Nations Development Programme
IMF	- International Monetary Fund	UNFPA	- United Nations Population Fund
INGO	- International Non-Governmental Organisation	UNHCR	- United Nations High Commissioner for Refugees
ITC	- International Trade Centre	UNICEF	- United Nations Children's Fund
LDC	- Least Developed Countries	WB	- World Bank
MAPS	- Multi-Annual Programme Scheme	WFP	- World Food Programme
MDGs	- Millennium Development Goals	WHO	- World Health Organisation
MFA	- Ministry of Foreign Affairs		
NGO	- Non-Governmental Organisation		
NORAD	- Norwegian Agency for Development Cooperation		



I. Introducing the Nordic+

A Like-Minded Group

The Nordic Plus (Nordic+) is a group of 'like-minded' donor countries with a strong commitment to the aid effectiveness agenda who have come to be highly influential in development policy fora. The members (Denmark, Finland, Ireland, Norway, Sweden, the UK, and the Netherlands) operate in an informal partnership, seeking to find as much consensus and potential areas of cooperation as possible.

The group emerged out of an initiative in Zambia in 2003 called 'Harmonisation in Practice' (HIP) in which the Nordic countries, with a long history of cooperation with one another, invited other interested donors to join them in a practical attempt to put harmonisation principles into practice in a developing country. This experience directly informed a lot of later donor consensus on harmonisation and alignment. The HIP action plan promoted the use of joint agreements between multiple donor countries and the recipient country to promote complementarity and operational harmonisation. This aimed to create an aid architecture that adapted to a particular country depending upon its strength of governance, accounting and auditing systems, and capacity for public financial management. Out of this experience direct sector support known as the sector-wide approach (SWAP) and direct budget support have been identified as the preferred aid modalities if possible in order to maximise country ownership.

The Nordic Plus played a prominent role in shaping the Paris Declaration on Aid Effectiveness at the 2nd High Level Forum on Aid Effectiveness, which now is a key reference point for donor cooperation. Members also advocate strongly for its application in practice, working actively to increase common policies and practices, drawing up joint guidelines for procurement for example. In addition Nordic Plus members frequently engage in delegated cooperation (or silent partnership) where one or more countries provide funds to a project or programme administered by another, but is jointly owned by all the donors involved. The recipient country therefore only deals directly with the lead donor, and the lead donor is in turn responsible to the other donor countries. All members have pre-approved one another in principle as potential partners for this kind of arrangement, though the group aims to engage with other donors as much as possible in specific areas of cooperation.

Table 1-1 below sets out the results of the Paris Declaration Monitoring Survey, which clearly shows the strong and consistent performance across the Nordic+ group. Though Japan also performs strongly, a key difference between the Nordic+ and Japan is visible in the results on indicators 5a and 5b on the use of country systems, as well as to some extent in the coordination indicators.

Table 1-1 Adherence to the Paris Declaration Principles

	Indicator Number						
	3	4	5a	5b	6	10a	10b
	Are government budget estimates comprehensive and realistic?	How much technical assistance is coordinated with country programmes?	How much aid for the government sectors uses country PFM systems?	How much aid for the government sectors uses country procurement systems?	How many PIUs are parallel to country structures?	How many donor missions were coordinated?	How much country-analysis was coordinated?
Denmark	47%	48%	29%	45%	69	33%	80%
Finland	87%	53%	38%	52%	9	26%	58%
Ireland	48%	52%	90%	96%	6	41%	57%
Norway	56%	78%	61%	69%	3	56%	77%
Sweden	49%	64%	47%	48%	36	32%	34%
Netherlands	70%	36%	71%	78%	23	41%	77%
UK	84%	61%	75%	76%	41	44%	69%
Japan	68%	74%	29%	26%	2	2%	52%
Nordic Plus Average	63%	67%	59%	66%	27	39%	65%
DAC Average	42%	42%	33%	38%	61	25%	49%

Organisation and Strategy

All the Nordic+ donors are organised around the central aims of poverty reduction and achievement of the MDGs, which are used to shape as well as evaluate organisational performance. In addition the Nordic+ place a strong emphasis on policy coherence to ensure that all relevant government policy (trade, security, environment etc.) is informed by development concerns.

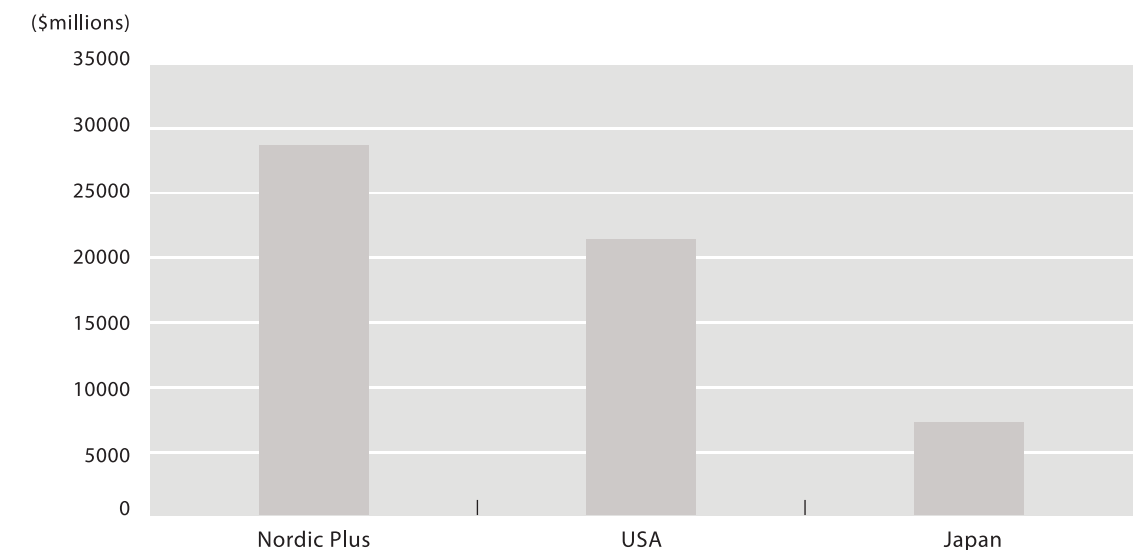
As the country chapters will show, the structure of the development cooperation system and the exact distribution of responsibilities in each country varies for reasons such as history and politics. In most countries for example development cooperation is owed by the Ministry of Foreign Affairs (MFA), though DFID and SIDA in the UK and Sweden respectively are notable exceptions. Equally decision making patterns vary, from highly centralised (Finland, Ireland) to highly decentralised (Norway, UK), with a range in between. Table 1-2 below shows the relative levels of devolved decision making. In most cases the embassy or country office draws up an annual activity plan in consultation with the partner government, which is then discussed with varying levels of input with headquarters. Once this is agreed the country level then have the authority to take decisions on this basis, with some limits in the case of Denmark. Partly due to their small size, in Ireland and Finland, responsibilities, including drawing up plans, are largely centralised.

Table 1-2 Organisational and Strategic Features

	Denmark	Finland	Ireland	Netherlands	Norway	Sweden	UK
Poverty Reduction	▲	▲	▲	▲	▲	▲	▲
Express Link to MDG	▲	▲	▲	▲	▲	▲	▲
Coherence of Policy Issues	▲	▲	▲	▲	▲	▲	▲
Decentralisation	▲			▲	▲	▲	▲
Decision Making in Field	Less than 5 mill. DKK (approx \$1 mill)	Limited	Less than €100k	Based on annual plan	Unlimited based on annual plan	Based on annual plan	Depends on seniority of head of office
Decision Making in HQ	Over 10 mill DKK to board (approx \$2 million)	Nearly all	All above €1 million	Budget support	MoU; and Budget support	Budget support	Depends on seniority of head of office

Budgets and Modalities

Figure 1-1 ODA Levels of Nordic Plus, USAID, and Japan



Taken as a group the Nordic+ provided almost \$30 billion of ODA in 2007, well in excess of the largest single donor the USA, and around 4 times as much as Japan's ODA budget in that year. The Nordic+ group therefore, though mostly not large individual donors (and as individual donor countries not always in agreement) can be highly influential when acting on a shared agenda as a group of 'like-minded' donors, both in terms of their consistent advocating and application of Paris Declaration principles (as shown in table 1-1, and in terms of the scale of their assistance when taken as a whole.

On average the group almost meet the agreed international target to provide 0.7% of GNI as ODA, however this masks a big disparity between donors like Norway, Sweden, Denmark, and the Netherlands who exceed this level and have done so for several years, and Finland, Ireland and the UK who are some way short of this level at the present time. Nevertheless, before the present financial crisis, all the Nordic+ group were expanding their budgets significantly, by an average of 25% since 2005. However it remains to be seen how this will continue in the new economic environment. The government of Ireland for example has already announced small reductions in its budget for the coming year. Nevertheless it is likely that, given strong levels of political commitment to development assistance, budgets will continue to rise relative to other DAC members, further enhancing the Nordic+ group's influence in the coming years.

Table 1-3 Budgetary Information 2007***

	Total Budget	Rank in DAC by Budget Size	% of GNI	Budget Increase since 2005	Bilateral as % of total budget	% Bilateral ODA to Africa	Project Aid as % of Total Bilateral	Prog. Aid as % of Total Bilateral	Tech Coop as % of Total Bilateral	Aid to NGOs as % of total bilateral
Denmark	2562.23	12	0.81	21%	64%	48%	17%	32%	6%	10%
Finland	981.34	17	0.39	9%	60%	32%	5%	5%	4%	1%
Ireland	1192.15	16	0.55	67%	69%	54%	—	42%	2%	16%
Norway	3728.02	10	0.95	34%	77%	27%	1%	48%	15%	—
Sweden	4338.94	7	0.93	29%	68%	30%	1%	50%	5%	8%
Netherlands	6224.26	5	0.81	22%	75%	32%	3%	25%	10%	19%
UK	9848.54	3	0.36	-8.6%**	57%	73%	13%	20%	16%	12%
Japan	7678.95	4	0.17	-42%**	75%	44%	12%	7%	31%	10%
Nordic Plus Average	4125.07	—	0.69	25%	67%	42%	7%	32%	14%	11%

* Grant aid is recorded as larger than bilateral aid by Denmark (104%), Finland (104%), UK (117%) and Japan (104%)

** Excluding debt relief in this period the budget increased by 35% in the UK and fell by 31% in Japan

*** Based on figures as reported to DAC for DAC statistical database.

As can be seen from table 1-3 above the pattern of cooperation provided by the Nordic+ is slightly different to Japanese ODA, with on average less provided directly as project aid or technical cooperation. Instead the Nordic+ focus increasingly on programmatic approaches, with a particular focus on direct forms of support where possible. Table 1-4 shows the countries to which the Nordic+ provide general budget support (GBS). 22 countries receive GBS, with Tanzania and Mozambique standing out as the most supported governments. The variations in enthusiasm for GBS however is also clear from the table, with DFID and the Netherlands wide use of GBS very apparent (12 and 14 countries respectively), though it should be noted that as the largest Nordic+ donors they have a wider number of partner countries than other donors, whereas a donor like Ireland limits GBS to just 2 of its partner countries. Despite their differences there is agreement among the Nordic+ that GBS should increasingly be used to support those governments who have a clear commitment to and strategy for combating poverty and relatively sound and improving standards of Public Financial Management.

Table 1-4 Budget Support as Provided by Nordic Plus Group in 2007

	Benin	Bhutan	Burkina Faso	Burundi	Cambodia	Cape Verde	Georgia	Ghana	Macedonia	Malawi	Mali
Denmark**	◆		◆					◆			
Ireland											
Finland*											
Netherlands*	12.75	2.5	25.5	12.75		8.25	6.5		9		12.75
Norway**				◆							
Sweden			10								13.25
UK*					2.25			80.5		32	

	Moldova	Mozambique	Nicaragua	Pakistan	Rwanda	Sierra Leone	Senegal	Tanzania	Uganda	Vietnam	Zambia
Denmark**		◆						◆		◆	
Ireland		7.75						13.5			
Finland		6.25	4.5					13.25			
Netherlands*	5	23					12.75		14	15.25	12.75
Norway**		◆						◆	◆		◆
Sweden		50			13.25			60			16
UK*		59.5	2.25	14.5	48	19		152.75	51	29	40.75

*Finland (2006); Netherlands, UK (2008)

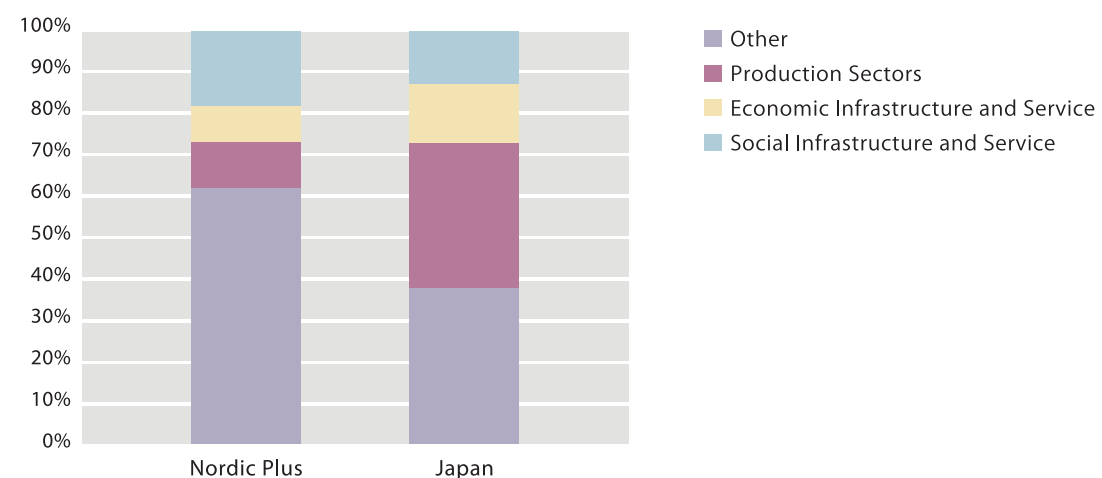
**Unable to provide details of amounts provided

As well as providing support direct to government budgets the Nordic Plus will also channel assistance through NGOs (an average of 11% - marginally greater than Japan's). This assistance is also notable because, though it is not spoken about in these terms, significant amounts of this assistance is essentially tied to organisations from the donor's own country to support their work in partner countries. In general NGOs and civil society tend to play a prominent role in the Nordic+ development cooperation being consulted on policy decisions as well as being used as implementing agencies for specific projects and programmes and receiving long-term support from the Nordic+ donors in the case of a few large NGOs considered strategically important to strategic goals.

In general this reflects the fact that the Nordic+ countries are moving away from the idea of necessarily implementing their own development cooperation. There are a variety of reasons for this including a desire to increase budgets without increasing staff numbers, a belief in country-led programmes, and harmonised approaches such as pooled funding arrangements.

Countries and Sectors

Figure 1-2 Sector Distribution Comparison Between Japan and Nordic+ 2007



The Nordic+ have selected between them 60 different target or programme countries. Though the terminology varies across the individual donors these are the countries in which the Nordic+ donors seek to focus their efforts and funds. Though each donor selects countries on the basis of their own criteria, 21 countries (12 in Africa, 5 in Asia, 3 in Latin America, and 1 in the Middle East) are targeted by at least 3 Nordic+ donors. In these countries in particular the Nordic+ will be most influential. African countries in particular are prominent in all donors' lists. All 7 donors target Mozambique, Tanzania, and Zambia, while 6 out of 7 target Kenya, Uganda, and Vietnam.

Table 1-5 Countries targeted by 3 or more of Nordic Plus

	Denmark	Finland	Ireland	Netherlands	Norway	Sweden	UK
Africa							
Burkina Faso	◆			◆		◆	
Ethiopia		◆	◆		◆	◆	◆
Ghana	◆			◆			◆
Kenya	◆	◆		◆	◆	◆	◆
Malawi			◆		◆		◆
Mali	◆			◆	◆	◆	
Mozambique	◆	◆	◆	◆	◆	◆	◆
Rwanda				◆		◆	◆
Sudan					◆	◆	◆
Tanzania	◆	◆	◆	◆	◆	◆	◆
Uganda	◆		◆	◆	◆	◆	◆
Zambia	◆	◆	◆	◆	◆	◆	◆
Asia							
Afghanistan				◆	◆	◆	◆
Bangladesh	◆			◆	◆	◆	◆
Nepal	◆	◆			◆		◆
Pakistan				◆	◆		◆
Vietnam	◆		◆	◆	◆	◆	◆

<i>Latin America and the Middle East</i>							
Bolivia	◆			◆		◆	
Guatemala				◆	◆	◆	
Nicaragua	◆	◆		◆	◆		
Occupied Territories			◆	◆	◆		

For numerous reasons the pattern of assistance offered by the Nordic+ differs significantly from Japanese ODA. As can be seen in figure 1-2, the Nordic+ as a group of donors place a much greater emphasis on assistance to the social sectors than Japan, which instead channels a much greater portion of its assistance to economic infrastructure and productive sectors. Reasons for this include the type of assistance offered (large Yen loans offer themselves more easily to expensive infrastructure investments for example) and the Nordic+ donors strong and early commitment to the MDGs. This is reinforced by a sense that as a result of donor's respective experience their comparative advantage lies in what they are most experienced in doing relative to others within the donor community.

It should also be noted that several of the Nordic+ (e.g. DFID and the Netherlands) are currently engaged in a process of re-focusing their assistance on the economic and productive sectors in a belief that they and others have not done enough to promote growth in key partner countries.

In addition to assistance earmarked for specific sectors, the Nordic+ countries, like Japan, have a number of themes which cut across all aspects of their work. In Japan's case concern for the global agenda, equitable growth, human security and governance are explicitly established as priorities that should cut-across all JICA's work. The Nordic+ countries' priority concerns vary from country to country, however again there is a noticeable sharing of concerns in key areas with nearly all among the group setting out to mainstream gender (Denmark, Finland, Ireland, Norway, Sweden, UK), HIV/AIDS (Denmark, Finland, Ireland, Netherlands, Norway, UK), and the environment and/or sustainable development (the whole group) across the breadth of their work.

Conclusions

There are clear patterns of similarity between the Nordic+ group of donors that make them influential as a donor group. Their adherence to the Paris Declaration principles is clear, and they advocate strongly for these to be both observed at the country level, and strengthened in further international agreements. The fact that social sectors feature so strongly in their pattern of assistance is also evidence of the fact that they both embrace and shape the policy agenda.

As well as being consistent, the size of their combined financial power means that they have a much more direct form of financial influence, which is likely to be sustained in the coming years. This influence is particularly extensive in those countries where they are felt in the most force, though many of those countries are also well-known 'donor-darlings' where many donors have a significant programme. Nevertheless, the individual donors each have their own nuances and features that are highly specific to them, which given they are an informal collection rather than a formal group with a single set of systems, means it is also important to understand them as individuals.

The following policy conclusions could be suggested from a JICA perspective:

1. It is particularly relevant for JICA staff to understand these donors in the countries where 3 or more of the Nordic+ are present and JICA participates in joint donor meetings. In these cases the Nordic+ common agenda and perspectives will be most strongly felt.
2. There is a clear difference in the relative comparative advantages of JICA and the Nordic+ group. Since several of the Nordic+ are emphasising the need to re-focus on 'growth-orientated' assistance there may be scope for increased cooperation between JICA and individual Nordic+ donors utilising JICA's comparative advantage and experience in this area, especially given the Nordic+ donors' flexibility in how they implement their assistance.



Chapter 2 *United Kingdom*



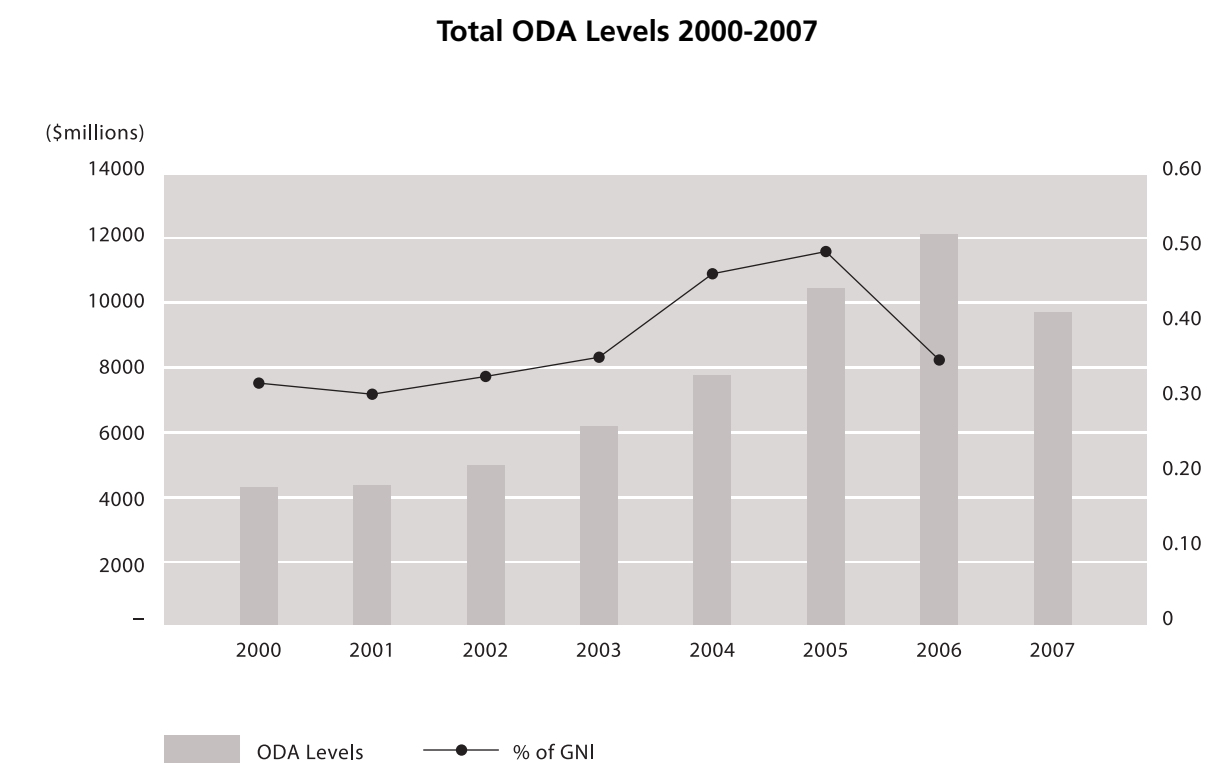
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Quick Facts

The Nordic Plus is a group of 'like-minded' donor countries with a strong commitment to the aid effectiveness agenda. The members are Denmark, Finland, Ireland, Norway, Sweden, the UK, and the Netherlands, though the group aim to engage with other donors as much as possible in specific areas of cooperation (such as joint financing or common procurement procedures). The group was formed in 2003 in an effort to increase members' mutual cooperation and to harmonise procedures and practices in the interest of reducing the burden placed on developing countries in administering development cooperation. The Nordic Plus countries therefore are strong advocates of the Paris Declaration. Members, in addition to actively working towards increasing common policies and practices, have also agreed to engage in delegated cooperation with one another. All members have pre-approved one another in principle to be able to act as a lead donor in projects or programmes where funds from multiple members are used, but administered by only one donor on the ground. For more details of this practice see section Box 5 in 2-6.

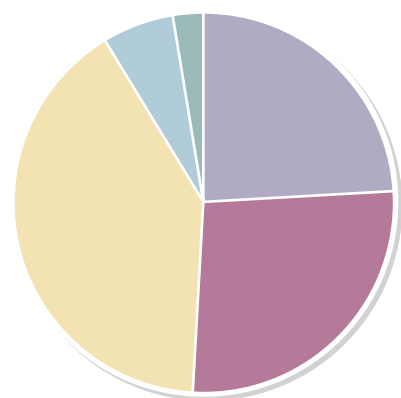
Exchange Rates
 2006 \$1 = £ 1.84 2007 \$1 = £ 2.00 (based on DAC stastics)



Breakdown of Total ODA 2007 (\$millions)

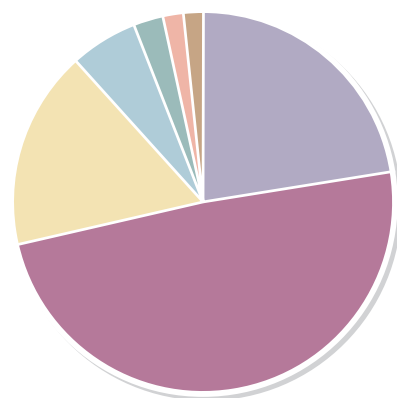
Bilateral ODA	5 601.53	Multilateral ODA	4 247.01
<i>Grants</i>	6 572.44	To UN Agencies	576.37
Capital Project Aid	710.27	To EC	2 143.45
Programme Aid	1 096.56	To IDA	987.25
Technical Co-operation	888.29	To Regional Development Banks	188.05
Humanitarian Aid	351.55		
Debt Forgiveness, total	16.18		
Support to NGOs	669.46		
Administrative Costs	544.69		
<i>Non-Grant Bilateral ODA</i>	-970.91	Total	9 848.54

**Bilateral Allocation by Income Group
2006/2007 Average**



- Unallocated
- LDCs
- Other Low-Income
- Lower Middle-Income
- Upper Middle-Income

**Bilateral Allocation by Region
2006/2007 Average**



- Unspecified
- Sub-Saharan Africa
- South and Central Asia
- Other Asia and Oceania
- Middle East and North Africa
- Latin America and Caribbean
- Europe

1. Organisation and Strategy

1.1 Introduction to the UK as a donor country

As a former colonial power the UK has a long history of involvement with what is now called the developing world. The government's responsibility for the development of its colonies on a continuing basis was first recognised in 1929 by the Colonial Development Act. In marked contrast to today, under this act the amount of development cooperation that could be approved by Parliament in any one year, was capped at £1 million.

In 1961 a Department of Technical Co-operation was established to deal with the technical co-operation side of the aid programme. Then in 1964 a Ministry of Overseas Development was first set up as a separate ministry headed by a Minister of Overseas Development. It brought together the functions of the former Department of Technical Co-operation and the overseas aid policy functions of the Foreign, Commonwealth Relations and Colonial Offices and of other government departments.

Throughout the 1970s responsibility for development cooperation switched repeatedly between a separate ministry and the Foreign and Commonwealth Office (FCO), before remaining the responsibility of FCO until the establishment of the Department for International Development (DFID) in 1997, headed by a Secretary of State with cabinet rank, assisted by (from June 2003) a Minister of State and (from June 2007) three Parliamentary Under Secretaries of State.

1.2 Administrative Structure

In contrast to most other donors, in DFID the UK has an independent cabinet-level department with almost complete control over development cooperation. All poverty reduction aspects of UK government development co-operation, both bilateral and multilateral, are centralised in the Department for International Development. DFID is represented in the Cabinet by the Secretary of State for International Development and in the House of Commons also by Parliamentary Under-Secretaries of State. Primary responsibility for technical themes is shared between the two ministers by mutual agreement. The senior civil servant in DFID is the Permanent Secretary, assisted by four Director-Generals: (i) Director General for Country Programmes (ii) Director General International (International Financial Institutions, UN, donor cooperation); (iii) Director General Division for Corporate Performance (finance and corporate performance, human resources, communications) (iv) Director General for Policy and Research. The Director-Generals themselves supervise a total of sixteen sub units (see figure 2-1) with staff split between headquarters in London and East Kilbride, Scotland.

DFID staff work through a fairly complex web of teams; meetings are set up according to need (intra-department, cross-department, cross-headquarters, headquarters-field) and include links to outside specialists as well. Links among London, East Kilbride and overseas offices are facilitated by a sophisticated videoconferencing system. The deliberate structuring of operational relationships in this manner serves the purpose of breaking down bureaucratic boundaries and refocusing staff time on resolution of the issues at hand.

A Management Board, composed of the Permanent Secretary, the four director-generals (DGs) and two non-executive directors provide strategic direction to the management of DFID performance and the achievement of the Public Service Agreement (PSA), (agreed objectives by which UK government departments performance are measured over a three-year time frame), and ensure that DFID financial resources and staff are allocated and managed effectively. The Management Board is supported by four committees: (i) Development Committee, chaired by the DG for Policy and International, (ii) Audit Committee, chaired by one of the non-Executive Board members, (iii) Human Resources Strategy committee, chaired by the DG for Corporate Performance, and (iv) the Investment Committee, also chaired by the DG for Corporate Performance.

Based on a principle of “closeness to the client”, DFID emphasises operational decentralisation to the field and now locates about a half of its staff resources in its overseas offices. Country offices benefit from substantial delegated authority and are responsible for delivering the DFID Public Service Agreement in that country.

DFID’s total staff levels were 2853 in 2006, of which two-thirds were civil servants and the remaining one-third country staff (local staff recruited in the field). DFID’s staff total has almost doubled since its creation in 1997 and this level was the high point. A process to reduce this number by 10% over 3 years was ongoing between 2005-2008 in compliance with government-wide targets for overall civil service streamlining. DFID is carrying out this reduction in four ways: (i) improving technology and business processes (e.g. accounting, human resource management), (ii) rationalising overseas programmes (better alignment with poor countries, graduation from small programmes and Middle Income Countries), (iii) selected local office reorganisation and streamlining, and (iv) innovating with more effective aid instruments. At any one time between 5-10% of DFID Home Civil Servants are on secondment. The loss in staff capacity this represents is compensated for by a similar number of incoming secondments from other parts of the UK government and bilateral or multilateral donors. It is interesting to note how far DFID has taken the secondment process - not only exposing (and influencing) its own staff to other parts of the international development system, but also diversifying its own organisational perspective.

Figure 2-1. DFID’s Organisation

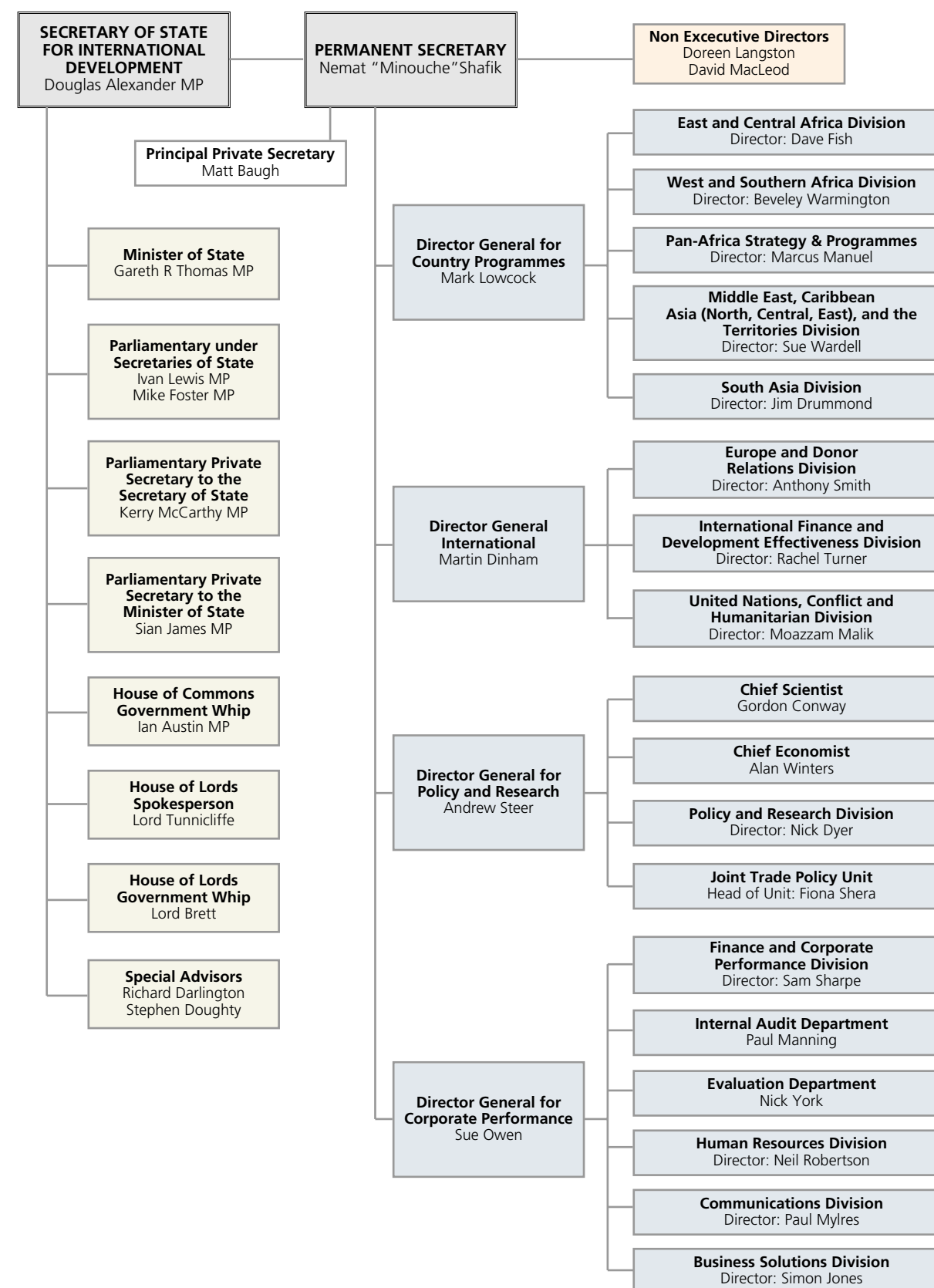
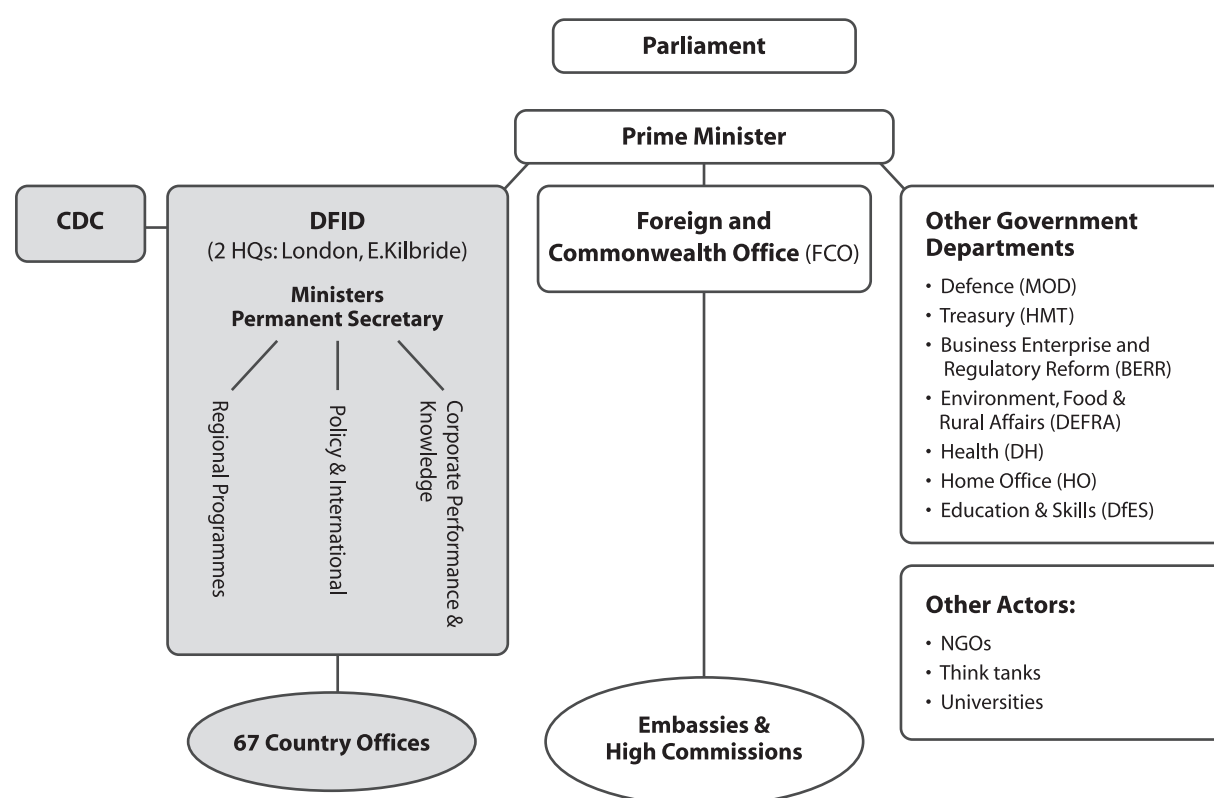


Figure 2-2. The U.K. Development Co-operation System



Source : 2006 DAC Peer Preview

1.3 Policy Making

The changes in UK development co-operation operation since 1997 are a product of strong political leadership, which has been greatly aided by the attribution of a seat in Cabinet to the Secretary of State for International Development.

At the level of legislation, in June 2002 the UK parliament passed an *International Development Act* which replaced a previous text from 1980. The Act provided a clear legislative mandate around poverty reduction (DFID's "one aim" according to the Act) and gave UK development co-operation its current strategic orientation on issues of development, not only aid. The Act sets the conditions under which the UK can give development or humanitarian aid, the forms it can take and its terms. Because it has been designated the lead ministry for carrying out this legal mandate, DFID enjoys an unambiguous relationship with other ministries, and this greatly facilitates its ability to influence cross-government thinking on development policy.

The clarity of the 2002 legislation also has made it possible to better structure the specific priorities of UK development policy. These policies are generally written down by DFID to ensure that staff and external partners have a clear understanding of their content, in for example periodic White Papers (1997, 2000, 2006). Policy coherence among ministries of UK

government is ensured at the highest level by government-wide guidance contained in the International Development Act and by subsequent operational encouragement in the individual ministerial PSAs as well as personal leadership at the senior levels of the system.

In addition to the Act and White Papers, UK development policy is structured by these PSAs. In DFID's case this is built around one aim (poverty reduction), broken down into several objectives and specific targets (e.g. increase the provision, access to and quality of essential services). Core PSA objectives survive several PSA cycles in order to keep a continuity of purpose and accountability around DFID's work. The PSA permits each division, department, team and individual to set targets that relate to the ultimate achievement of PSA objectives.

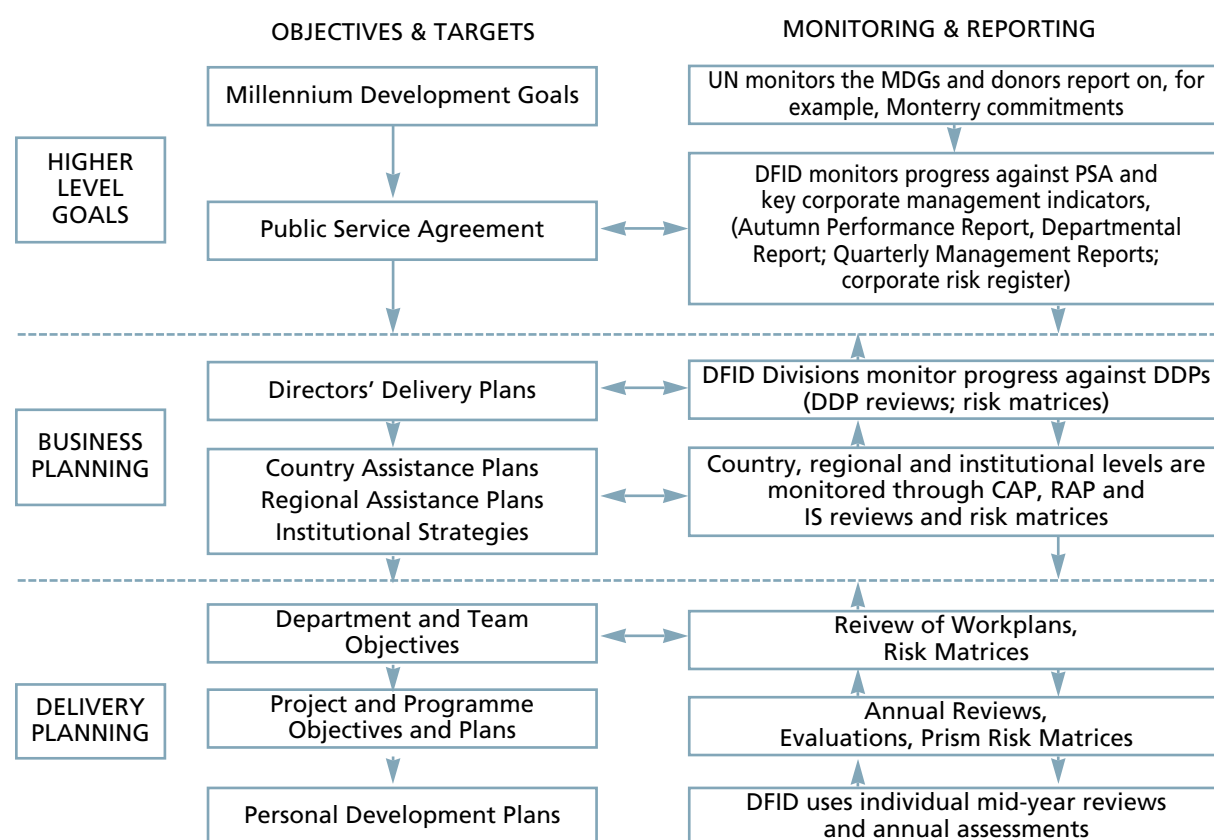
Thematic policy papers are a common practice in DFID and shape its operations. Policy papers often adopt broad perspectives that match DFID's ambitious vision and can cover a wide range of issues, including sectors (education, health or agriculture), modalities (conditionality, capacity building or country-led approaches) or cross-cutting issues (migration, social exclusion or poverty monitoring systems). Maintaining the operational relevance of these directives originating in London is tackled by the requirement that all policy documents contain implementation plans which state their intended utility and impact.

1.4 Decision Making

The translation of the PSA into more explicit business planning is made at the level of the Director's Delivery Plan, also required every three years. These rolling plans define how DFID resources will be used to deliver the PSA targets and include indicators of success and an analysis of the risks that may affect progress. In this sense DFID has a comprehensive and fairly transparent approach to programming with a clear centralised message coming from London.

Existing in parallel to the centralised messages at the general policy level is a high level of responsibility delegated to the field. DFID field offices are responsible for the production of Country Assistance Plans (though they must be reviewed by DFID headquarters), the implementation of all elements, as well as planning, monitoring and reporting, ensuring cohesion with national strategies and systems, promoting coherent UK policy and taking appropriate actions if programme objectives require attention. The Head of Office at country level is delegated financial authority up to £7.5 million for expenditure. Increasingly therefore the role of headquarters staff is simply to support of field offices.

Figure 2-3. Decision Making and Responsibility in the UK Aid System



Source: 2006 DAC Peer Review

Whereas direct decision-making responsibility is designed to 'cascade' down the organisation, the performance monitoring system that should feed back into the decision-making process is structured to flow up the ladder. All aspects of the delivery planning noted above are submitted to routine quarterly, mid-year or annual reviews. The Country Assistance Plan is monitored in headquarters annually and a major review is undertaken every three to four years. Director Delivery Plans are reviewed annually by the Management Board. The PSA tracks progress on broad goals and permits reassessment of policy decisions and financial commitments in light of performance.

The Performance Reporting Information System for Management (PRISM) was introduced in 2000. PRISM allows DFID managers to compile and analyse project and programme information at an aggregate level, for example by country, by sector or by special marker. It is also a means for sharing information throughout the system and includes information on tens of thousands of projects and programmes. All projects and programmes over an approved commitment of £1 million must be reviewed and scored annually through this system. PRISM was integrated into a larger more integrated, corporate approach (ARIES) which was completed in 2007.

1.5 Strategic Framework

As previously mentioned, the 2002 International Development Act establishes poverty reduction as the overarching purpose of British development assistance, either by "...furthering sustainable development in one or more countries outside the United Kingdom" or by "...improving the welfare of the population of one or more such countries". DFID's PSAs in 2003-06 and 2005-08 derived directly from the International Development Act, and were strongly focused on achievement of the MDGs. The latest version of the PSA framework, which places international development as one part of a much larger whole-of-government PSA, equally is founded in the Act. This clear mandate and high level strategic vision provides DFID with a strong focus and facilitates a strategy organised around objectives rather than on a sector basis, though this is not to say that there are never sectoral priorities within DFID's strategic framework. DFID's PSA targets have focused on primary health care and school enrolment, as well as providing spending targets for HIV/AIDS, and led to a strong focus of the development programme on basic social services that is among the highest of DAC members.

The strategic vision that emerges from DFID's White Paper is however much more general than the attempts in the PSA to establish quantifiable targets (though might therefore arguably be considered less influential). The 2006 White Paper *Making Governance Work for the Poor* set out the following goals for DFID's work:

- Deliver on promises already made in international fora
- Help build states that work for the poor
- Focus on assisting people to have security, incomes and public services
- Work internationally to combat climate change
- Assist in reform of the international system

The choice of governance as the Paper's theme is of course also instructive, and reflects the recognition that governance, including public financial management, are important factors in DFID's work, especially in light of the growing use of General Budget Support (GBS) and other similar modalities. DFID is also increasingly strongly advocating for, and working to support, the (pro-poor) growth agenda.

1.6 Multilateral Strategy

The multilateral share of the UK ODA has risen in recent years in no small part due to a rapidly increasing budget, with over 43% of UK ODA disbursed through multilateral organisations in 2007, well above the DAC average.

DFID funds a wide range of multilateral organisations. Most notably in recent years the UK's contribution to the World Bank (WB) has risen substantially, partly as the UK has sought to increase its influence over the organisation's policies, becoming the WB's largest donor in the last replenishment that took place in 2008. Besides the WB the European Community (EC) is the next most significant recipient of UK multilateral ODA, with other recipients including most UN agencies, several global funds, and the development activities of the Commonwealth. DFID's partnerships with multilaterals are framed by institutional strategies, which set out how DFID

aims to contribute to achieving its White Paper objectives in partnership with each of the institutions concerned. Joint objectives are defined, which cover policy issues, internal performance and specific targets for improved results. Progress towards these joint objectives is monitored through an annual review of the strategy. Institutional strategies are normally produced every three years, through a consultative process involving the institutions themselves and a range of civil society and other contracts.

DFID gives great importance to assessing and monitoring the effectiveness of the multilateral organisations that it supports, and has developed a tool known as Multilateral Development Effectiveness Summaries (MDES) for this purpose (see box 1 below). In addition DFID participated in the Multilateral Organisations Performance Assessment Network (MOPAN), which is a joint bilateral initiative aimed at assessing the partnership behaviour of multilaterals at country level. The UK tries more broadly to stimulate international discussion on the international architecture implications of “scaling up”, building on the 2003 DFID paper on aid architecture. This paper calls for independent regulation, a clear division of labour between the different actors, an enhanced role for the European Community, a UN organised around three clusters (humanitarian, development and environment), predictable and flexible financing and more choice for partners.

Box 1. Multilateral Development Effectiveness Summaries (MDES)

The MDES collate existing information across four dimensions of organisational effectiveness, namely:

- **Building for the Future** - “How is the organisation building for the future through sharing information, learning and innovating?” This area considers whether the organisation is committed to a culture of continual learning and improvement, how it manages information and its results and whether it is investing in its staff.
- **Managing Resources** - “How is the organisation managing its activities and processes?” This area looks at how the organisation uses its financial and human resources. It includes indicators such as disbursement ratios, resource allocation criteria, staff recruitment, postings and promotions processes and degree of decentralisation.
- **Partnerships** - “How is the organisation engaging with other development partners?” This area looks at how the organisation works with other development partners including developing country governments themselves. It encompasses Paris Declaration Indicators on alignment and harmonisation.
- **Country/Global Performance** - “How well is the organisation performing either at the country level and/or at the global level?” The final area considers any information which is available on actual performance either at the country level or at the global level. This includes results of any evaluations, by the organisation themselves or by other organisations, information on portfolio quality, any data on programme targets and any other indicators on outcomes and impact.

2. Implementation

2.1 Basic Budgetary Information

Table 2-1. Basic Budgetary Information 2007 (unless otherwise stated)

Total budget (\$million)	9 849 (100%)	Total GBS 2006/7 (\$million)	299 (5% of total bilateral)
% of GNI	0.36	Contribution to EU ODA (\$million)	2 143
Total Bilateral (\$million)	5 602 (57%)	Contribution to 15th Replenishment of IDA (\$million)	4 271
Bilateral to Africa (\$million)	2 457 (43% of total bilateral)	Administration (\$million)	555 (6%)
Total NGOs (\$million)	669 (12% of total bilateral)	Minimum Predictability	3 years

DFID’s budget has been increasing in recent years, though large amounts of debt relief provided by the UK have distorted officially reported ODA levels. In 2007 development cooperation totalled almost \$10 billion. A strong political commitment to the global community’s agreed target of 0.7% of GNI being devoted to ODA by 2012 has provided the catalyst, as well as strong public awareness and support for development cooperation. Nevertheless the UK still has some way to go.

57% of UK ODA was distributed through bilateral channels, with multilateral assistance concentrated on the EC, the WB and the UN system. All DFID funds are provided in grant form though CDC (formerly the Commonwealth Development Corporation) a company owned by DFID which invests in the private sector of developing countries provides non-grant funds. In total approximately 95% of UK ODA therefore takes the form of grants.

2.2 Country Partners

As is perhaps unsurprising for a donor of its size, DFID’s development assistance finds its way to a large number of countries through various channels. However despite this DFID does have a concentrated aid programme in comparison to many other donors. Though still large the total number of partner countries has been declining for some time, while the share of bilateral aid received by the top 20 recipients has been increasing, standing at 64% in 2007.

As would be expected DFID’s clear poverty focus set out in the legal framework governing development cooperation clearly shapes the choice of partner countries. In addition DFID’s PSAs have been structured to reinforce this goal. The so-called 90:10 policy - a commitment to

provide 90% of development assistance to low-income countries with the remaining 10% channelled to middle-income countries has been in place since the 2003-06 PSA, with its successor the 2005-08 PSA strengthening the commitment to “at least” 90%. Furthermore DFID has now selected 22 key countries as part of its PSA, 14 in Africa, 7 in Asia, and 1 in the Middle East (see table 2-2 below), on which it should concentrate its assistance, and in which specified progress according to certain indicators (see table 2-3 below) is used to assess DFID’s organisational performance. This choice of countries is based on the numbers of poor people, the size of the UK bilateral programme, the impact of a wider set of multilateral and bilateral programmes and policies, and the overall influence of the UK on policy development. As a result of this assessment, the number of countries was cut from 25 during the course of DFID’s previous two PSAs, to the present 22, with Lesotho, South Africa, Indonesia and China removed, and Yemen added to the list.

Table 2-2. DFID’s 22 ‘Target’ Countries

Africa		Asia	Middle East	Top 8 Countries by Disbursement (2007)
DRC	Rwanda	Afghanistan	Yemen	Nigeria
Ethiopia	Sierra Leone	Bangladesh		India
Ghana	Sudan	Cambodia		Afghanistan
Kenya	Tanzania	India		Ethiopia
Malawi	Uganda	Nepal		Tanzania
Mozambique	Zambia	Pakistan		Pakistan
Nigeria	Zimbabwe	Vietnam		Bangladesh

Table 2-3. Targets 1 and 2 of DFID’s 2005-08 PSA (previous PSA with 25 ‘target’ countries)

<i>Target 1. Progress towards the MDGs in 16 key countries in Africa, demonstrated by:</i>	<i>Target 2. Progress towards the MDGs in 9 key countries in Asia, demonstrated by:</i>
<p>1) A reduction of 4 percentage points in the proportion of people living in poverty across the entire region, against the 1999 baseline;</p> <p>2) an increase in primary school enrolment by 18 percentage points and an increase in the ratio of girls to boys enrolled in primary school by 5 percentage points, both against their year 2000 baseline;</p> <p>3) a reduction in under-5 mortality rates for girls and boys by 8 per 1000 live births,</p>	<p>1) A reduction in the proportion of people living in poverty of 5 percentage points in East Asia and the Pacific, and of 8 percentage points in South Asia, both against the 1999 baseline;</p> <p>2) an increase in net primary school enrolment by 8 percentage points and an increase in the ratio of girls to boys by 5 percentage points, both against their year 2000 baseline;</p>

against the year 2000 baseline; and an increase in proportion of births assisted by skilled birth attendants by 11 percentage points, against the year 2000 baseline;

4) a reduction in the proportion of 15-24 year old pregnant women with HIV;

5) enhanced partnership at the country and regional level, especially through the G8, to increase the effectiveness of aid and ensure that international policies support African development.

3) A reduction in under-5 mortality rates for girls and boys by 24 per 1000 live births and an increase of 15 percentage points in the proportion of births assisted by skilled birth attendants, both against their year 2000 baseline;

4) prevalence rates of HIV infection in vulnerable groups being below 5%; a tuberculosis case detection rate above 70%; and a tuberculosis cure treatment rate greater than 85%.

Box 3. DFID’s “Resource Allocation Model”

DFID has set up a model to inform its allocation of bilateral programme spending among low-income countries (LICs) in which it intends to have a spending programme. The Resource Allocation Model analyses a set of objective data on each country and generates theoretical programme resource budgets for bilateral country programmes, with a view to indicate how to allocate bilateral aid among countries in such a way to maximise its impact on poverty reduction. Allocations suggested by the model are intended only as a starting point for decision making, which are also influenced by other considerations - such as the availability of finance from non-aid sources or the UK potential contribution to overall aid effectiveness in specific countries - while still sticking to the same basic principle of maximising impact on poverty reduction. Finally, allocations are considered in tandem with directors’ delivery plans, and then ministers make final judgements.

Two different features are taken into account for each country: (i) the extent of poverty, which is measured mainly by its per capita income level and population size, but also with some allowance for the speed with which it is moving towards MDG targets (the allocations to countries with below-average progress towards the MDGs being increased); and (ii) the likely effectiveness of aid in reducing poverty. The latter is measured on the basis of the World Bank Country Policy and Institutional Assessment (CPIA), with allowance for vulnerability to economic shocks, as measured by the Economic Vulnerability Index (EVI) of the European Development Fund (EDF) (the allocations to countries with above-average vulnerability being increased).

In addition to these two criteria, the model takes into account the amount of aid each country is likely to receive from other donors, and suggests a particular way of allowing for the activities of other donors. To make the calculations transparent, the results table is laid out on a step-by-step basis, showing how each of the ingredients of the model contributes to its final allocation.

Source: DFID, A guide to DFID’s Resource Allocation Model, 2005.

As a result of the PSA commitments DFID's development programme is undergoing a period of consolidation, for example recently closing completely its offices Latin America and withdrawing from direct assistance to the region (some development cooperation may still be channelled via NGOs). This has been relatively painful in some cases and has required some difficult decisions as some middle-income countries have 'graduated' from development cooperation much quicker than might otherwise have been the case. Regional and/or strategic approaches have also therefore become more important as DFID has tried to find the best way of adding-value in with limited resources to spend outside of low-income countries.

2.3 Sector Concentration

Table 2-4. Sector Concentration in DFID's 22 Target Countries

Country	Stated Priorities	Active Sectors*
DRC	Building a capable and accountable state	N/A
	Delivering a peace dividend for poor people	
	Reducing remaining violent conflict and its impact	
Ethiopia	Governance	Governance, Health, HIV/AIDS, Education, Hunger and Humanitarian Aid, Water Sanitation and Infrastructure, Rural Access and Mobility.
	Hunger and Humanitarian Aid	
	Water and Sanitation	
Ghana	Governance	Governance, Health, Education, Water, HIV/AIDS, Private-Sector development, Trade and Growth.
	Health	
	Education	
Kenya	Education	Governance, Health and HIV/AIDS, Education, Humanitarian Aid, Social Protection, Trade Growth and Private Sector Development.
	Health and HIV/AIDS	
	Governance	
Malawi	HIV/AIDS	Governance, Health, HIV/AIDS, Education, Hunger/Food Aid, Trade and Growth (including Agriculture).
	Health	
	Education	
Mozambique	Governance	Governance, Health, HIV/AIDS, Education, Humanitarian Aids, Water Sanitation and Infrastructure.
	Health	
	HIV/AIDS	

Nigeria	Governance	Governance, Health, HIV/AIDS, Education, Trade Growth and Agriculture.
	Health	
	Education	
Rwanda	Education	Governance, Health, HIV/AIDS, Education, Agriculture.
	Health	
Sierra Leone	Governance	Governance, Health, Education, Water and Sanitation, Private Sector Development and Growth, Security and Justice.
	Security and Stability	
	Governance	
	Economic Growth	
Sudan	Humanitarian Aid	Governance, Humanitarian Aid.
	Governance and Conflict	
	Health	
Tanzania	Governance	Governance, Health, Education, Water, Growth.
	Education	
	Growth	
Uganda	Conflict	Governance, Health, HIV/AIDS, Education, Humanitarian Assistance, Water and Sanitation, Trade and Growth.
	Poverty	
	HIV/AIDS	
Zambia	Governance	Governance, Health, HIV/AIDS, Education, Humanitarian Assistance.
	Health and HIV/AIDS	
Zimbabwe	Hunger and Humanitarian aid	HIV/AIDS, Food Security, Orphans and Vulnerable Children, Internally Displaced People, Civil Society, Health.
	HIV/AIDS	
	Food Security	
Afghanistan	N/A	N/A
Bangladesh	Governance	Governance and Security, Public Services, Poverty and Vulnerability to Disasters and Climate Change, Private Sector.
	Poverty and Vulnerability	
	Increasing Jobs and Income	
Cambodia	Governance and corruption	Governance, Health, HIV/AIDS, Education, Water Sanitation and Infrastructure, Natural Resources.
	Growth	
	Access to Land and Natural Resources	

India	Malnutrition	Health, Education, HIV/AIDS, Rural and Urban Livelihoods, Microfinance, Civil Society.
	Child and Maternal Deaths	
	Education	
	Water and Sanitation	
Nepal	Governance	Peace, Health, HIV/AIDS, Education, Infrastructure, Forestry and Agriculture.
	Economic Growth	
	Health and Education	
Pakistan	Health	Health, Education, Governance, Growth, Humanitarian Aid.
	Education	
	Governance	
Vietnam	HIV/AIDS	Governance, Education, HIV/AIDS, Infrastructure, Growth.
	Sanitation	
	Governance and Corruption	
Yemen	Economic growth	Social Development, Education, Growth, Health, Governance, Water and Sanitation.
	Conflict and Security	
	Water	

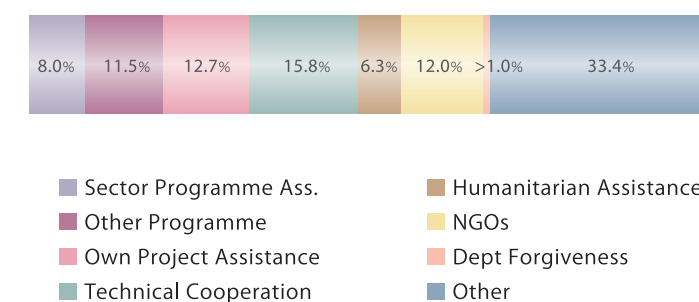
*According to DFID categorisation

The trend in the sector distribution of the UK's development cooperation reflects the increased focus on poverty reduction since 1997. It indicates a stronger orientation towards social infrastructure and services, which accounted for 45% of disbursements in 2007 (approximately \$3.3 billion). Of this the largest sectoral recipient is "government and civil society", followed by education. The former has increased rapidly in recent years in line with DFID's stronger engagement in fragile states, while the latter is greatly emphasised in order to support the MDGs. Conversely economic and productive sectors have been declining as a proportion of total expenditure for some time receiving around \$1.4 billion in 2007, however DFID have recognised this as potentially problematic and is taking several steps to devote more resources to support economic growth.

Despite the stronger focus on social infrastructure DFID is involved in a wide range of sectors. Like all donors, in a given partner country DFID are attempting to focus on fewer sectors where it can strengthen its comparative advantage, and adopt a more specialised approach. In doing this, DFID could think about further building on its strong economic expertise, policy advisory capacity and experience in supporting central core government functions, such as public financial management, to reinforce its analytical approach to the cross-cutting growth agenda.

2.4 Modalities: Project, Programme, Budget Support

Figure 2-4. Breakdown of Bilateral Aid Modalities 2007



DFID relies on a mix of aid instruments to deliver its development assistance, with an increasing emphasis on general and sector budget support, increased pooling of funds and support to CSOs and NGOs, and decreasing emphasis on stand alone projects.

A breakdown of the UK's choice of modalities for development cooperation as reported to DAC is given in figure 4 above. Only 12.7% of assistance takes the form of DFID projects, with just under 20% taking a programmatic form. The Paris Declaration monitoring survey however reported programme based assistance as consisting of 59% of total cooperation based on a survey of 23 countries suggesting that in practice on the ground more money is used in programme form than is explicitly earmarked in such a way.

DFID believes that the appropriate mix of aid instruments is context specific and that it may be possible to work through government systems in some countries. In others, however it may need to be more directly involved at decentralised or local community levels wherever government lacks public financial management or is unable to effectively deliver basic services. Where governments are committed to improve public financial management, DFID prefers to work through government systems in order to reinforce their capacity and therefore favours sector or general budget support (which DFID calls PRBS - Poverty Reduction Budget Support). This is seen by DFID as the ultimate recognition of partner country ownership and the simplest way for donors to align with government priorities. It is seen, when circumstances are appropriate, as the aid instrument most likely to help to build the accountability and capability of the state and an efficient way to scale up and to transfer resources rapidly. DFID's own estimate is that 20.4% of its bilateral programme was provided through PRBS in 2004 (in the same year the DAC average was 2.5%).

Table 2-5. DFID's Provision of PRBS 2007/08 (£million)

Country	General Budget Support	Sector Budget Support	Estimated DFID Programme 2008	PRBS as % of total programme
Cambodia	1.5	0	12.8	12%
Ethiopia	0	111.6	139.5	80%
Ghana	55.3	10	91.9	71%
India	0	54	272	20%
Malawi	22	19.3	69.4	60%
Mozambique	41	0	67.6	61%
Nepal	0	18	54.7	33%
Nicaragua	1.5	1	4	63%
Pakistan	10	38	87	55%
Rwanda	33	5	51.9	73%
Sierra Leone	13	0	53.9	24%
Tanzania	105	0	122.4	86%
Uganda	35	0	68.3	51%
Vietnam	20	11.8	51	62%
Zambia	28	0	41.4	68%
Total	365.3	268.7	2662.3	24%

2.5 Alignment with Partner Country Systems

Table 2-6. Paris Declaration Monitoring Survey: Measuring Alignment

Indicator Number	Indicator	2005 baseline ration	Illustrative targets for 2010
3	Aid flows are aligned on national priorities	84%	93
4	Strengthen capacity by coordinated support	61%	100 (EU target)
5a	Use of public financial management systems	75%	50 (EU target)
5b	Use of country procurement systems	76%	50 (EU target)
6	Avoid parallel implementation structures	41	3; no new Parallel Implementation Units (EU target)

As a member of the Nordic Plus group of countries DFID has been a driving force in the promotion of donor reform to reduce transaction costs for partner countries and increase aid effectiveness. DFID aims to use a recipient country's own systems wherever possible and alignment is also a concern in contributions to multilateral agencies and NGOs. In order to support alignment principles and to promote national priorities from the bottom up all DFID Country Assistance Plans are aligned with the PRSP, and DFID tries to avoid setting sector specific targets. According to data from the Paris Declaration Monitoring Survey (see table 2-6 above) DFID do significantly better than the DAC average in all indicators suggesting that this commitment has tangible results in practice. The UK is in fact one of the few countries to have achieved several of the targets early.

With regard to procurement it is DFID policy that the recipient country handles all procurement using their own systems. If those systems are considered to be weak DFID may assist the country by offering support for capacity development. The OECD/DAC methodology for the assessment of national procurement systems is used, and an e-learning course on procurement has also been developed by the Nordic Plus procurement group to make programme officers (both those posted from headquarters and those locally employed), or staff working in programme officer functions, at the Nordic Plus representations in developing countries familiar with processes and tools that facilitate assessment of national procurement systems and the selection of appropriate procurement options. In most cases (3 out of 4 according to Paris Declaration monitoring statistics) procurement is handled by partner countries. In both their own, and in partner country procurement processes, emphasis is placed on the European procurement regulations. Specifically this means that:

- A contract < €50,000 can be allocated freely
- A contract of €50,000 < €133,000 requires several quotations
- A contract > €133,000 requires a full tender

2.6 Donor Harmonisation

Table 2-7. Paris Declaration Monitoring Survey 2006: Donor Coordination

	No. of countries surveyed	No. coordinated with at least one other donor	Total number in survey countries	Average coordination
Coordination of Missions	23	156	354	44%
Coordination of country analysis	23	73	106	69%

DFID, in common with its partners in the Nordic Plus group of donors, considers donor harmonisation to be a priority. In many countries DFID is working with others to develop joint country assistance strategies, as well as working to develop innovative practice, such as multi-donor trust funds, joint partnerships, joint donor offices, sharing of sector specialist staff or delegated co-operation. For instance in Malawi DFID has given money to USAID to support programmes for its democracy and governance activities and is itself channelling Dutch funds into the education sector. In Rwanda DFID’s country office has provided assistance for education on behalf of SIDA, the Swedish government’s development agency.

Box 5. Silent Partnerships

“Silent partnerships” are a form of delegated cooperation undertaken by like minded donors, where the ‘silent partner(s)’ provide funds for a project or programme to be administered by the ‘active partner’. The partner country deals only with the active partner, who is in turn responsible to the silent partner(s). The Nordic Plus have assessed each other to be suitable for engaging in delegated cooperation in principle. Canada has also been approved.

2.7 Tying of Aid

Box 6. DAC Definition of Tied Aid

Tied aid credits are official or officially supported loans, credits or associated financing packages where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all developing countries (or Central and Eastern European Countries (CEECs)/New Independent States (NIS) in transition).

Since 2001 the UK’s policy has been to provide 100% untied assistance and the Paris Declaration Monitoring Survey found 100% of the UK’s ODA to be untied (well above the DAC average of 82%).

2.8 Partnership with NGOs

There is a significant concentration and range of civil society organisations in the UK that are involved in development issues or actions, undoubtedly drawing strength from the major public and political consensus over the importance of development. DFID considers them important to its overarching objective of poverty reduction. Approximately \$670 million was channelled to NGOs in 2007, amounting to 12% of total ODA.

Because of the very wide range of CSO relationships, DFID has set up a Co-ordination and Coherence Team which serves as a central source of CSO guidance to all parts of the DFID system and identifies best practices. In 1998 a series of reports from independent and political groups led to the publication of a “Compact” which sets mutually acceptable ground rules for relations between government and the voluntary and community sector. In 2005, DFID produced its own statement on how the “Compact” is implemented. In it, DFID notes its historically strong working relationship with CSOs, from which it concludes that there are three main reasons for DFID supporting these organisations:

- Their role in helping build vibrant civil societies in the developing world which can constructively challenge local decision makers and give poor people a voice in local

- processes.
- Their comparative advantage in delivering services to the poor and humanitarian assistance.
 - Their role in improving British public awareness and understanding of international development.

2.9 Monitoring and Evaluations

Evaluation and monitoring functions have been recently reorganised within DFID with responsibility for the former placed in a new “Knowledge” division. The Evaluation Department is undergoing a process of renewal which includes additional administrative and programme resources. Staff levels were expanded and a richer skill mix added, with additional, more direct linkages to senior management and the DFID decision making process. The department work programme has been prioritised in more operationally useful ways to evaluate DFID experience on such topics as general budget support, technical co-operation, HIV and gender. Country programmes are also a major topic for the department, which undertakes 4-5 evaluations per year with a focus on aid effectiveness and accountability.

In December 2007 the Independent Advisory Committee on Development Impact (IACD) was established to help DFID strengthen its evaluation processes. The Committee is mandated to work with DFID to:

- Determine which programmes and areas of UK development assistance will be evaluated and when;
- Identify any gaps in the planned programme of evaluations and make proposals for new areas or other priorities as required;
- Determine whether relevant standards (e.g. of the OECD Development Assistance Committee) are being applied and comment on the overall quality of the programme of evaluation work carried out against these.

DFID and IACD have therefore been working closely together to define a new policy which will set the course for evaluation in the future. Central to the policy is the emphasis on greater independence of evaluation, along with stronger partnership working, reflecting global commitments to harmonisation, decentralising evaluation to a greater degree, driving up quality, and ensuring that learning from evaluation contributes to future decision making.

Each country office has to report through the DFID standard monitoring system. As part of DFID’s Project Cycle Management, regular reviews of programmes and projects, including budgetary support and SWAps are undertaken, mainly for a project with a value of GBP 1 million or more. These are mainly annual reviews, which assess progress in delivering the outputs, and projects completion reporting. Project officers are responsible for ensuring that these mandatory reviews are carried out, required information is supplied, and scoring is done and fed into Performance Reporting Information System for Management (PRISM) once approved by the Head of Office. PRISM then allows country programme managers to get an overview of the relative success of the larger programmes in their portfolio and the areas of higher risk.

3. Research Function and Knowledge Management

Table 2-8. Research and Knowledge Management

Dedicated research department?	Yes	Dedicated research budget?	Yes
Departments involved in research	Policy and Research Division	Dedicated researchers?	Yes
Research strategy?	Yes	Important publications	N/A

DFID has vastly increased the profile and strategic importance of research to their ongoing operations in recent years. A new research strategy for the period 2008-2013 will receive approximately £1 billion in support over its lifetime, which in specific terms will mean an increase in spending on research from approximately £110 million per year to £220 million. This money can be spent on initiatives directly managed by DFID or delivered through joint or multilateral arrangements depending on which approach is considered most appropriate.

The strategy will focus on 6 areas which DFID consider to be the most significant challenges in the immediate and longer-term:

- Growth
- Sustainable agriculture
- Climate change
- Health
- Governance in challenging environments
- Future challenges and opportunities

As part of this renewed focus DFID intends to strengthen research expertise, decentralise some research management functions, and create a new service to highlight and communicate research results.

DFID’s research work is frequently undertaken in collaboration with others - including developing country partners, Whitehall and the UK Research Councils, international research funders and global research initiatives, and the private sector. The intention is to strengthen this “research consortia model”, and to increase joint programmes with other funders, both internationally and with the UK research councils.



Box 7. DFID's Publications FY2007

Annual Reports

- ◇ *'DFID Annual Report: Development on the Record'*
- ◇ *'Statistics on International Development 2002/03 – 2006/07'*
- ◇ *'DFID's 2007 Autumn Performance Report. An outline of progress against the 2003-06 and 2005-08 Public Service Agreements and the Efficiency Programme'*

Country Assistance Plans

- ◇ *'Vietnam Country Assistance Plan'* February 2008

Policy papers

- ◇ *'Moving out of poverty – making migration work better for poor people'* April 2007
- ◇ *'Updating Taking Action – the UK's strategy for tackling AIDS in the developing world: a consultation document'* May 2007
- ◇ *'Governance, development and democratic politics: DFID's work in building more effective states'* May 2007
- ◇ *'Working together for better health' and 'Evidence for action'* June 2007
- ◇ *'Land: better access and secure rights for poor people'* July 2007
- ◇ *'Competition Assessment Framework'* January 2008
- ◇ *'Gender equality and growth – evidence and action'* February 2008

Evaluation Reports

- ◇ *'Interim evaluation of taking action: the UK government's strategy for tackling HIV & AIDS in the developing world (An analysis of trends in the UK government funding and activities)'* April 2007
- ◇ *'Security and Justice Sector Reform programme in Africa'* April 2007
- ◇ *'Country Programme Review – Country Study: Vietnam'* May 2007
- ◇ *'DFID's 2005 Agriculture Policy: An interim report'* May 2007
- ◇ *'Caribbean Regional Programme Evaluation'* May 2007
- ◇ *'Evaluation of DFID country programmes: Country Study Russia 2001-2005'* June 2007
- ◇ *'Evaluation of Citizens' Voice and Accountability – Working Paper: Literature Review, Framework and Methodology'* November 2007
- ◇ *'Literature review on Private Sector Infrastructure Investment'* November 2007
- ◇ *'Evaluation of DFID country programmes: Indonesia'* November 2007
- ◇ *'Evaluation of DFID country programmes: Nepal Country Office 2001-2006'* November 2007
- ◇ *'Evaluation of DFID country programmes: West Bengal'* November 2007
- ◇ *'Evaluation of DFID country programmes: synthesis of 2006/2007 evaluations'* January 2008
- ◇ *'Desk review of DFID's private sector infrastructure investment facilities (EV 684)'* March 2008
- ◇ *'Desk review of DFID's private sector infrastructure investment facilities: strategic environmental impact assessment (EV 685)'* March 2008

Other DFID publications

- ◇ *'DFID's Humanitarian Funding Guidelines'* October 2007
- ◇ *'Trading for Peace: Achieving security and poverty reduction through trade in natural resources in the Great Lakes area.'* October 2007
- ◇ *Crime and Persuasion: Tackling illegal logging, improving forest governance'* (full report) October 2007
- ◇ *'The UK and the World Bank 2006/2007'* November 2007



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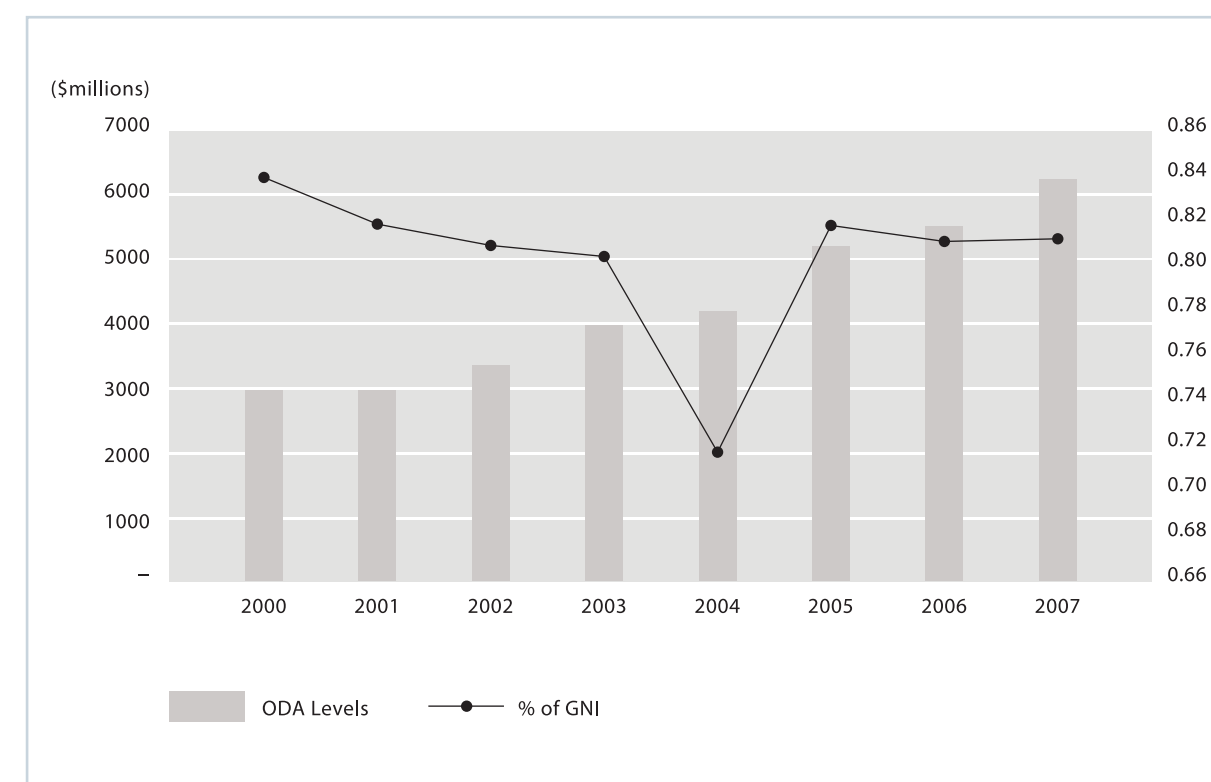
Quick Facts

The Nordic Plus is a group of 'like-minded' donor countries with a strong commitment to the aid effectiveness agenda. The members are Denmark, Finland, Ireland, Norway, Sweden, the UK, and the Netherlands, though the group aim to engage with other donors as much as possible in specific areas of cooperation (such as joint financing or common procurement procedures). The group was formed in 2003 in an effort to increase members' mutual cooperation and to harmonise procedures and practices in the interest of reducing the burden placed on developing countries in administering development cooperation. The Nordic Plus countries therefore are strong advocates of the Paris Declaration. Members, in addition to actively working towards increasing common policies and practices, have also agreed to engage in delegated cooperation with one another. All members have pre-approved one another in principle to be able to act as a lead donor in projects or programmes where funds from multiple members are used, but administered by only one donor on the ground. For more details of this practice see Box 6 in section 2.6.

Exchange Rates

2006 \$1= € 0.80 2007 \$1= € 0.73 (based on DAC statistics)

Total ODA Levels 2000-2007



Breakdown of Total ODA 2007 (\$millions)			
Bilateral ODA	4 282	New development lending	- 133
1. Grants and grant-like contributions	4 415	Contributions to Multilateral Institutions	1 169
Technical Co-operation	464	EC	432
Developmental food aid	1	IDA	16
Humanitarian aid	397	Regional Development Banks	55
Contributions to NGOs	977	Other	666
Administrative costs	255		
2. Development lending and capital	- 133	Total	5 452

1. Organisation and Strategy

1.1 An introduction to the Netherlands as a donor country

The Netherlands' first official aid programmes were initiated in the 1950's in the form of technical assistance to a small number of colonies and former colonies. This rapidly evolved in the 1960's in the context of world-wide efforts to address the needs of the developing world, particularly the newly independent states of Africa and Asia. During this period, Dutch leadership publicly justified its expansion of development assistance on new moral and social grounds, in addition to the previous economic and geopolitical ones. The Netherlands was also among the earliest supporters of international development instruments, in the United Nations (UN), the OECD, and the international financial institutions. The Netherlands played a major role in drawing attention to numerous new developmental themes in the 1970's (e.g. poverty alleviation; self-reliance; policy coherence; untying), and the 1980's (e.g. structural adjustment; capacity building; sector approaches). This commitment was matched in substance as well as words, as since 1975 the Netherlands' has devoted 0.7% of GNI to development cooperation.

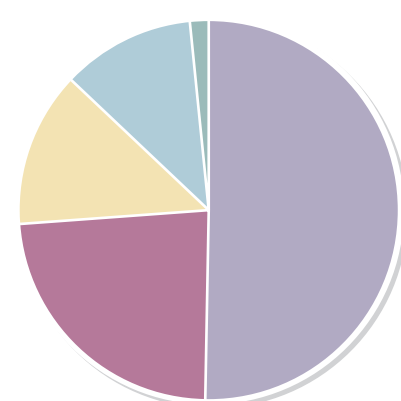
By the 1990's Dutch development assistance took on the contours of today's official policy. Two Dutch policy documents produced at the time, *A World of Difference* (1990) and *A World in Dispute* (1993), drew significant attention within the international community. They also outlined for the Netherlands a new strategic approach that was more compatible with the post-Cold War era and the transition from structural adjustment policies to those of sustainable development. In 1995, Dutch leadership reviewed the country's overall foreign policy, including development co-operation, as well as the mechanisms through which it was delivered. Major decisions were made at that time, to merge foreign policy and development co-operation organisation, to decentralise operations to the embassy level, and to simplify implementation procedures.

This history of commitment, continued to this day, has given the Netherlands a reputation within the international community as a particularly progressive donor, which today has considerable political commitment to the Paris Declaration and poverty reduction. The principles of ownership, donor harmonisation and alignment have been part of Dutch development cooperation since the 1990s, long before the Paris Declaration was signed in 2005. Expressions of this commitment are found in the successive policy documents of 2003 and 2007, which also stress that the Paris Declaration is seen not as an objective but as a means to an end. The Netherlands' have long been known to be among the most adaptable and innovative donors, willing to test new operational approaches. The Netherlands are one of the few countries to have already met the UN target of 0.7% of ODA/GNI ratio, averaging over 0.8% for more than a decade. They were also ranked first on the last published Commitment to Development Index (produced by the Centre for Global Development) in 2007.

1.2 Administrative base

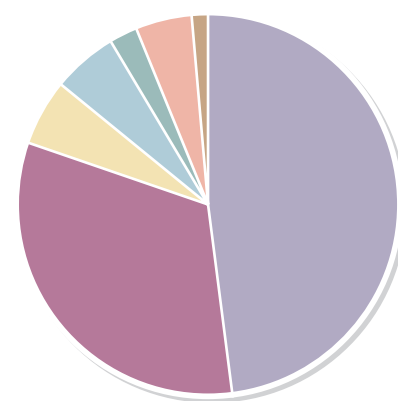
The Netherlands development cooperation is situated largely within the MFA, housed at The

Bilateral Allocation by Income Group
2006/2007 Average



- Unallocated
- LDCs
- Other Low-Income
- Lower Middle-Income
- Upper Middle-Income

Bilateral Allocation by Region
2006/2007 Average



- Unspecified
- Sub-Saharan Africa
- South and Central Asia
- Other Asia and Oceania
- Middle East and North Africa
- Latin America and Caribbean
- Europe

small number of staff (approximately 5-10 each year) are recruited as sector or thematic specialists. Total administration costs in 2006 were around \$254 million.

1.3 Policy Making

Policy can be developed within DGIS without going directly through the minister. The Effectiveness and Quality Department (DEK), created in 2005, has a broad mandate to oversee effectiveness and quality within the MFA, and has developed into the hub fostering the promotion of the Paris Declaration. DEK can make policy recommendations and in addition develops and maintains instruments for implementing policy on cross-theme and cross-country issues. Despite this in recent years the Minister has largely shaped the policy discussion, which has led to relatively frequent changes in policy priorities, mainly in line with the evolution of international thinking on development cooperation. In 1998 the newly appointed Minister for Development Cooperation Eveline Hefkens established a focus on SWAPs, with the aim of becoming 'demand-driven' in a more limited number of countries. Her successor Agnes van Ardenne, without repudiating entirely the 'demand-driven' approach, established a number of priority sectors for Dutch support - basic education, reproductive health, HIV/AIDS, and water and sanitation. The most recent minister Bert Koenders, appointed in 2007, has promoted a greater emphasis on growth and distribution, and less on the social sectors, whilst also increasing the Netherlands involvement with gender issues, climate change and fragile states.

Nevertheless there has still been a large degree of continuity in the Netherlands' commitment to achieve development *results* in line with evolving international development thinking. The level of ministerial involvement is probably more a reflection of strong political support which helps development cooperation remain high on the political agenda and maintain a high level ODA/GNI ratio.

No specific laws underpin the Netherlands' development cooperation. The checks and balances provided in the course of the budgetary approval system and parliamentary decisions have proved sufficient. Various committees have a stake in policy including the foreign policy parliamentary committee, Scientific Council on Government Policy (WRR) and the Advisory Council for International Assistance (AIV) which must be consulted on projects or programmes in excess of €10 million.

1.4 Decision Making

Within this strategic context, the Netherlands consider their system to be one with a lot of responsibility delegated to the embassy level. This decentralisation is well established having been introduced in 1996. Embassies have primary responsibility for managing bilateral country programmes.

Embassies propose a 4 year multi-annual strategic plan for approval by the Ministry, based on their discussions with partner countries to align with their strategic plans, as well shorter year-long plans with more detail for each budget cycle. These are submitted to the

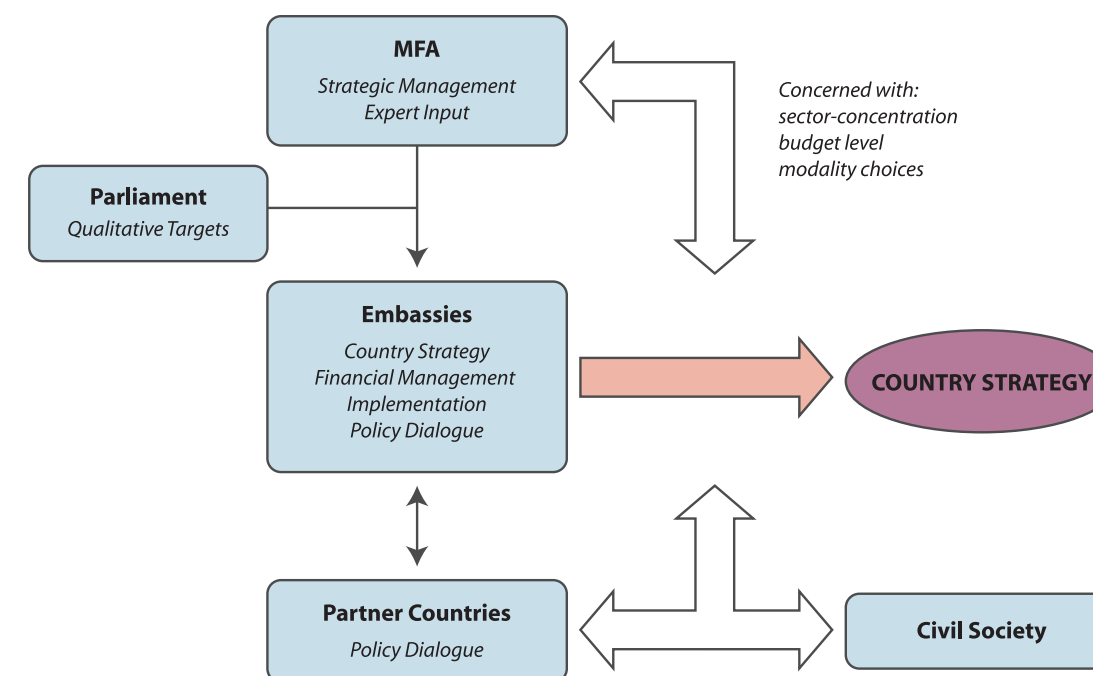
MFA in January. Generally it will only be as a result of overall strategic reasons that the Ministry would suggest any significant changes to these plans. The issues HQ will typically look at are:

- the number of sectors in which an embassy is involved,
- modelled budget and staff allocations per country,
- proper use of aligned modalities (given the modality-ceiling),
- ensuring ministerial policy-priorities are reflected at the country level (though not all embassies will be expected to contribute to all policy priorities).

From time to time however parliament will impose quantitative targets in the form '*x % of total budget must be spent on education*', which puts pressure on embassies to gravitate towards those sectors in their plans. This practice was criticised in the Netherlands' last DAC Peer Review in 2006 but is still ongoing.

Once approved, usually in March of each year (including budgeted amounts), the embassy has the freedom to design and implement the programmes as it sees best given the local needs, institutional arrangements and donor-presence. It will receive funds in either March or early April. After approval of the multiyear plan there is annual monitoring of progress by both the embassy and HQ. The regional departments play a coordinating role in organising the involvement of the different thematic and sectoral departments, though this may change due to a foreseen realignment of staff and responsibilities.

Figure 3-2. Stakeholders in Decision Making at Country Level (*Responsibilities in Italics*)



Several guidelines and operational directives have been developed to facilitate the implementation of the Paris Declaration by the embassies, the most significant of which

BOX 2: The Track Record Analysis

Four cluster areas are assessed in the Track Record Analysis receiving a rating (good, satisfactory, unsatisfactory, bad):

- The PRSP and the commitment to poverty reduction, assessed with a *PRSP Review Framework*
- The macroeconomic policy and business climate, assessed with a *Business Climate Scan*
- Good governance, including PFM, assessed with a *PFM Review Framework*
- Dialogue and harmonisation, analysed using the explanatory notes on quality of dialogue

These, in combination with a section on risk analysis, culminate in an overall rating for the partner country. Two external ratings – the World Bank’s country policy and the Kaufmann governance indicators – are used to ensure ratings are roughly in line with those of other donors. The overall rating indicates the level of alignment, and the consequent aid modalities that are considered feasible:

- Generally satisfactory – full alignment with country systems considered possible, and budget support preferred option.
- Fails to satisfy a number of conditions – partial alignment will be preferred and SWAPs and other sectoral support may be considered appropriate.
- Broadly unsatisfactory – particularly where there is a lack of poverty focus, inadequate macroeconomic policy, or bad budget management, alignment is not considered possible and project approaches preferred.

Note that while it indicates certain modalities as being within the appropriate scope of a given partner country context, the usual result will be a mix of modalities guided by the Track Record Analysis.

are the Track Record and Sector Track Record instruments. The Track Record instrument, operational since 1994, has been adapted to provide an analysis of a partner country and is used to inform decision-making on aid modalities. The Sectoral Track Record was introduced in 2007 to analyse the sectors and sub-sectors supported by the Netherlands.

At the embassy level, overall leadership is provided by the ambassador, supported by a councillor known as the Head of Development Cooperation. The Netherlands makes a relatively extensive use of locally hired staff who can perform a variety of roles including policy and programme management. Local staff can also act as representatives of the Netherlands where necessary.

According to the Paris Declaration Monitoring Survey embassies consider their degree of autonomy favourable with regard to fulfilling Paris Declaration objectives. The workload at embassies is reported to be high, partly as a consequence of the intensifying of harmonisation processes. There has been a noticeable shift in emphasis from thematic expertise to public sector management expertise at the embassy level.

Managing communication in a relatively complex structure such as this is a challenge. The quality of communication between headquarters and the embassies is heavily dependant on the Country Teams, however officials within the MFA feel that the system works effectively, a conclusion supported in the Netherlands’ last DAC Peer Review.

1.5 Strategic Framework

The Netherlands’ development cooperation has “sustainable poverty reduction” as its main objective, and considers the MDGs as the main reference point by which to measure progress towards this goal. The rationale is that in an increasingly globalised world, it is not simply a moral obligation, but of mutual interest to pursue development.

This is set out clearly in their most important strategic publication for development cooperation at the time of writing, *Mutual Interests, Mutual Responsibilities: Dutch Development Cooperation en route to 2015* published in 2003. In it 4 priority themes were identified:

1. Education
2. Reproductive health
3. HIV/AIDS
4. Environment and water

As well as reiterating the commitment to spend 0.8% of GNI on development cooperation, the following targets were introduced:

- Devote 15% of ODA to education
- Devote 0.1% of GNP to the environment
- Provide water supply and sanitation for 50 million people and clean energy for 10 million people by 2015
- Double the 2002 level of spending on HIV/AIDS, tuberculosis and malaria by 2007.

This document was updated in 2007 with the publication of *Our Common Concern - Investing in Development in a Changing World* focused on the period 2007-2011. Addressing the changing environment in which development cooperation now takes place, it set out 4 enhancements to the 4 priority themes which should affect the focus of policy:

1. Security and development
2. Growth and equity
3. Gender and sexual and reproductive health and rights
4. Sustainability, climate and energy

BOX 3: One of the Netherlands’ priority areas for development cooperation is the promotion of trade and investment in partner countries. As part of this strategy the MFA funds an agency called the *Centre for the Promotion of Imports from Developing Countries (CBI)*. Its role is to provide services aimed at strengthening the competitiveness of companies in the field of export marketing and export management pertaining to the EU & EFTA markets.

1.6 Multilateral Strategy

The Netherlands' commitment to the aid effectiveness agenda is reflected in its multilateral strategy. Particularly strong support is given to the UN, especially to the UNDP to whom they are one of the largest donors, and they strongly support the "one UN" reforms.

Though a strong supporter in terms of funding, the Netherlands are critical of the WB with regard to a number of issues including fragile states, climate change, gender issues, and particularly country ownership. Money that goes to the IDA is managed in partnership with the finance ministry.

The Netherlands uses 'scorecards' for IFIs and UN institutions, to try to assess their effectiveness in different sectors and by political priority, in order to try and ensure that their strategic framework is furthered through their commitments to and engagements with multilateral institutions.

2. Implementation

2.1 Budget Summary

Table 3-1. Basic Budgetary Information 2007

Total budget (\$million)	6 224 (100%)	Total GBS 2006/7 (\$million)	374 (8% of total bilateral)
% of GNI	0.81	Contribution to EU ODA (\$million)	374
Total Bilateral (\$million)	4 644 (75%)	Contribution to 15th Replenishment of IDA (\$million)	908
Bilateral to Africa (\$million)	1 330 (32% of total bilateral)	Administration (\$million)	265 (4%)
Total NGOs (\$million)	864 (19% of total bilateral)	Minimum Predictability	4 years

Since 1997 the Netherlands government has fixed ODA at a minimum of 0.8% of GNI (of which 0.1% goes to the environment) making the Netherlands one of the most generous DAC donors. Since 1975 ODA has not once been less than 0.7% of GNI.

In 2007 the Netherlands' appropriations for development cooperation were about \$6.25 billion, 0.81% of GNI, making the Netherlands the sixth largest donor in absolute terms. According to DAC statistics 75% of this was disbursed bilaterally.

2.2 Country Partners

Since 2003, the Netherlands has reduced its number of partner countries from 51 to 36, with a clear focus on sub-Saharan Africa, where the government aims to spend 50% of its total bilateral budget (in 2006 sub-Saharan Africa received approximately 31%).

The complete list of partner countries is outlined below alongside the Netherlands' ten biggest partners measured by funds disbursed in 2006. Some of the of the largest disbursements went to non-partner countries such as Sudan, as well as Nigeria whose status as the largest partner was a result of significant levels of debt cancellation in 2006.

BOX 4: In the Netherlands' development cooperation *partner country* status implies a long-term bilateral relationship. In these countries, the private sector and civil society organisations will be more closely involved in sectoral policy, which is the principle on which bilateral cooperation is organised within partner countries' own poverty reduction strategies. The aim is to work on a programme basis, where possible through budget support (*Mutual Interests, Mutual Responsibilities, 2003*).

Table 3-2. The Netherlands' Partner Countries

Africa	Americas	Asia	Europe	Middle East	Top 10 countries by disbursements 2006 (\$million)
Benin	Bolivia	Afghanistan	Albania	Palestine	Nigeria: 231
Burkina Faso	Colombia	Armenia	Bosnia and Herzegovina	Yemen	Indonesia: 161
Cape Verde	Guatemala	Bangladesh	FYR Macedonia		Sudan: 125
Egypt	Nicaragua	Georgia	Moldova		Tanzania: 102
Eritrea	Suriname	Indonesia			Ghana: 84
Ethiopia		Mongolia			Afghanistan: 83
Ghana		Pakistan			Uganda: 81
Kenya		Sri Lanka			Mali: 66
Mali		Vietnam			Bangladesh: 64
Mozambique					Mozambique: 62
Rwanda					
Senegal					
South Africa					
Tanzania					
Uganda					
Zambia					

Denotes non-Partner country

In addition to the category of 'partner country', the Netherlands formalised three 'profiles' of countries among those they provide development cooperation. As well as their partner countries, they include four non-partner countries, Sudan, Burundi, DRC and Kosovo among the various profiles (a total of 40 countries).

The profiles are an attempt to recognise the diversity that exists among the range of designated partner countries both in terms of their developmental needs, and the nature of the Netherlands' involvement. It also helps bring into focus the significant disbursements to certain non-partner countries, which risks being marginalised by the lack of official 'partner' status of the countries to which it is channelled. The profile of a country may be used as a guide to indicate where the priorities for Dutch development cooperation will lie, as well as an indication of the appropriate modalities and as a guide for measuring achievement and success.

BOX 5: Profile Classifications

- Profile (i) Countries with whom they have a broad kind of relationship, for example Vietnam or Sri Lanka
Main criteria:
a. Prospective middle-income country
b. Not particularly fragile state
- Profile (ii) Countries where their engagement is very focused on the MDGs, the case in most African states
a. Low income country
b. Not particularly fragile state
c. Potential in government structure for good partnership
- Profile (iii) Fragile states where they concentrate largely on multi-lateral forms of engagement.
a. Fragility or major inequality blocking poverty reduction

Table 3-3. sets out the classification of the Netherlands' partner countries by profile. As shown a number of countries will have their development cooperation phased out over the next four years as part of the effort to achieve more focus in the Netherlands' development cooperation. The relationship with a number of these countries has already changed over the past few years. In Armenia and FYR Macedonia for instance, the importance of development cooperation is declining under the 'constituency group' relationship. Cooperation with the European Union is becoming more and more important for these countries, increasing the importance of other foreign policy instruments. The relationship with Cape Verde is already being phased out. Sri Lanka has achieved middle-income status, but due to the poor security situation, only humanitarian relief is possible, and this will be continued. Other donors are already focusing on the country's fragility, so there is no reason for the Netherlands to continue its development relationship. Albania and Bosnia-Herzegovina are both part of the regional effort in the Balkans, which is due to end in 2010, and due to their relatively high income status no bilateral programme will be maintained. The Netherlands has made intensive efforts in recent years to build up a good development relationship with Eritrea, however given the extremely difficult political situation, expenditure has not risen above one million euros a year, and it is not thought justifiable to continue. If the prospects for meaningful collaboration improve, reinstatement of the development relationship will be considered.

Table 3-3. Classification of Partner Countries by Profile

Profile 1. Broad-Based Relationship	Profile 2. Accelerated Achievement of MDGs	Profile 3. Security and Development
Egypt*	Bangladesh*	Afghanistan
Georgia*	Benin	Burundi
Indonesia	Bolivia*	Colombia
Moldova	Burkina Faso	DRC
Vietnam	Ethiopia*	Guatemala
South Africa	Ghana	Kosovo
Suriname**	Kenya	Pakistan
	Mali	Palestine
	Mongolia	Sudan
	Mozambique	
	Nicaragua	
	Rwanda*	
	Senegal	
	Tanzania	
	Uganda*	
	Yemen*	
	Zambia	
Countries in which development cooperation is to be phased-out in the next 4 years:		
	Albania	Bosnia-Herzegovina
	Armenia	Eritrea
	Cape Verde	Sri Lanka***
	FYR Macedonia	

* countries that also have an actual or potential security problem
 ** agreement reached on phasing out of framework treaty resources
 *** only humanitarian relief in response to current security situation

The procedure for phasing out has yet to be finalised, and no precise timetable has been set, partly because the situation differs from one country to another. The possibilities for private sector involvement in phasing out strategies, possibly through the Dutch private-sector instruments, will be examined. The Netherlands stress that these strategies will be closely coordinated with other donors and relevant partners.

2.3 Sector Concentration

The Netherlands' policy, in line with their Paris Declaration obligations and reiterated in various policy documents is to focus on two or three priority sectors in each of their partner countries.

At present however the Netherlands' remains active in more sectors than this in many, if not most, countries. Which sectors they focus on is decided in discussion with partner country governments. However the sector concentration policy, following overall strategic direction, stresses a particular priority for the sectors of education, reproductive health, HIV/AIDS, and water and the environment across all Dutch development cooperation. Good governance and the private sector are also seen as priorities since they are considered indispensable to progress towards the MDGs.

Table 3-4 below cross references the Netherlands's involvement in its stated priority sectors or themes with its partner countries. All but three countries (Armenia, Egypt and Ethiopia) have significant projects or programmes in at least one of the priority areas.

Table 3-4. Sector concentration in long-term partner countries

Partner Country	Good Governance	Education	Health	Environment	Water	Private Sector
Afghanistan	◆					
Albania				◆		
Armenia+						
Bangladesh	◆	◆	◆		◆	◆
Benin	◆	◆			◆	
Bolivia	◆	◆			◆	◆
Bosnia Herzegovina						◆
Burkina Faso	◆	◆	◆			
Cape Verde				◆		
Colombia					◆	
Egypt+						
Eritrea	◆	◆	◆			◆
Ethiopia+						
Georgia			◆	◆		
Ghana	◆		◆*	◆		
Guatemala	◆	◆			◆	◆
Indonesia	◆	◆	◆		◆	
Kenya				◆		
Macedonia	◆					
Mali	◆	◆		◆		◆

Moldova	◆	◆	◆			◆
Mongolia						
Mozambique				◆		
Nicaragua	◆	◆	◆		◆	
Pakistan	◆		◆			◆
Palestine		◆		◆		
Rwanda	◆					
Senegal	◆					◆
South Africa				◆		
Sri Lanka					◆	◆
Suriname	◆	◆	◆	◆		
Tanzania	◆	◆	◆			◆
Uganda	◆	◆	◆*			
Vietnam			◆	◆	◆	
Yemen	◆	◆	◆			◆
Zambia	◆	◆	◆*			

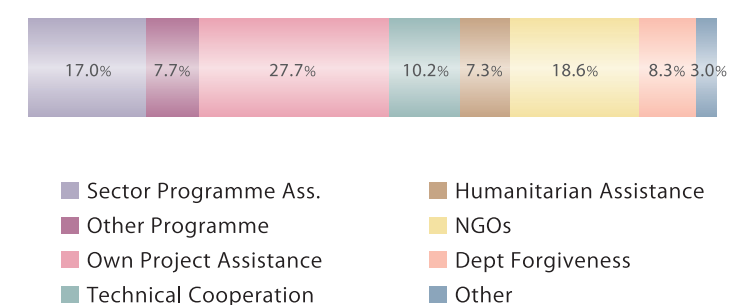
* No health sector programme, but substantial funding for SRHR and HIV/AIDS
 + According to data from Results in Development 2005-2006 Armenia, Egypt and Ethiopia had no relevant programmes or projects in these sectors up to 2006

The overriding concern in all choices is sustainable poverty reduction, and partly as a consequence of this, as well as an indirect consequence of the SWAp approach, the Netherlands has a considerable focus on the social sectors, to which it directed over \$3.2 billion in 2006, compared to \$860 million to the productive sectors and economic infrastructure.¹ A discussion is ongoing within the MFA as to whether the social sectors have taken too much precedence over the productive sectors in recent years. It would appear that there is an intention (alluded to in *Our Common Concern*, and reiterated during conversations with MFA officials), in common with several other donors, to refocus on the productive sectors, particularly in light of encouraging recent signs of growth in Africa and the slow rate of progress towards the MDGs. It was stressed however that the SWAp model will remain the cornerstone of Dutch development assistance.

¹ Source: Development Statistics Database

2.4 Modalities: Project, Programme, Budget Support

Figure 3-3. Breakdown of Bilateral Aid Modalities 2007



The Netherlands' bilateral development cooperation can be broken down into around 20% 'own projects', 20% 'budget support' (sector and general), with a range of programmes and interventions in between.

A number of instruments, such as Track Record and Sector Track Record analysis, are in place for use by embassies in an attempt to provide objective tools for selecting appropriate aid modalities. The Track Record is the most important tool for the Netherlands in selecting which modality is most appropriate to use in a partner country. It is an annual assessment framework that assesses whether a partner country is making sufficient progress in reducing poverty, has adequately functioning economic structures, and a government that is willing and able to abide by its own rules and capable of pursuing a meaningful dialogue in pursuit of a development policy. It does not prescribe a modality directly, but indicates the choice of feasible modalities within a given context. The result can also be overruled by the minister if it is felt politically wise to do so.

Table 3-5. Countries Approved for Full Alignment and Budget Support

Country	Proposed GBS for 2008 (€million)
Benin	10
Bhutan	2
Burkina Faso	20
Burundi	10

Georgia	5
Cape Verde	6.5
Macedonia	7
Mali	10
Moldova	4
Mozambique	18
Uganda	11
Senegal	10
Vietnam	12
Zambia	10

During the past ten years there has been a gradual shift in Dutch bilateral aid towards more sector and general budget support. Project aid is still very important, and is seen as complimentary to the two other aid modalities. Compared to sector budget support, general budget support remains a relatively small proportion of total Dutch bilateral aid, but it is considered particularly important as a sign of commitment to partner countries. In 2007 19% of bilateral assistance to long-term partner countries was provided as GBS. Approval for full alignment and budget support does not represent a final decision on GBS, which will continue to be micro-managed to ensure it is meeting its objectives. In Uganda for example, GBS has been reduced each year since 2006, and in 2008 budget support will no longer be 'general' but instead now be earmarked by sector. This is due to a mix of concerns over governance issues, the political situation in northern Uganda, and a lack of sector results. If Uganda performs well, an additional 'incentive' tranche of support may be invoked. Furthermore a recent scandal involving the misuse of funds by the Central Bank of Tanzania led to the suspension of GBS until further notice. It is not yet clear when or if GBS will be resumed.

It should be noted that budget support is not excluded even in fragile states. A modified form of the Track Record framework is used to assess suitability in fragile states however. Only dialogue and commitment from the standard cluster areas are counted as variables, with an additional test for the potential for GBS to 'contribute to stability'. Generally in such cases multi-donor trust funds will be used to disburse the funds.

2.5 Alignment with Partner Country Systems

The Netherlands became one of the first donors to take as official policy the implementation of their development cooperation through country-led strategies in the mid-1990s. The Netherlands however understand country ownership to be broader than simply government ownership, but also to include civil society, which is expected to play a role in shaping development strategy. Participation of civil society is considered particularly important in full partner countries.

Since the introduction of SWAs as the organising principle for Dutch bilateral development cooperation in 1999, this commitment to alignment with country

strategies has increasingly translated into a commitment to aligning with country systems. A conscious decision has been made within the Netherlands development policy not to be concerned with 'flag visibility' issues, and for development cooperation to be "on budget where possible, off budget [only] when necessary", but this does require country systems to meet certain standards. In practice this will involve a complex and subjective assessment of the reliability of partner country systems, however the Netherlands' has attempted to standardise the judgement through the use of the Track Record Analysis.

Table 3-6. Paris Declaration Monitoring Survey 2006: The Netherlands Use of Country Systems

No. of Countries Surveyed	Aid Disbursed for gov. sector (\$million)	PFM Systems				Procurement Systems	
		Budget executions (\$million)	Financial reportings (\$million)	Auditings (\$million)	Av. Use	Total use of gov systems (\$million)	Av. use of gov. systems
24	586	407	405	427	71 %	459	78 %

For procurement, the OECD/DAC has developed a methodology for the assessment of national procurement systems. This methodology is intended to provide a common tool which developing countries and donors can use to assess the quality and effectiveness of national procurement systems. An e-learning course on procurement has been developed by the Nordic+ procurement group to make programme officers (both those posted from headquarters and those locally employed), or staff working in programme officer functions, at the Nordic+ representations in developing countries familiar with processes and tools that facilitate assessment of national procurement systems and the selection of appropriate procurement options. In most cases (78% according to Paris Declaration monitoring statistics) procurement is handled by partner countries, and the embassies are happy, even under seemingly adverse governance conditions, to use outside auditors to assess partner country's own procurement rather than engage in it themselves.

In both their own, and in partner country procurement processes, emphasis is placed on the European procurement regulations. Specifically this means that:

- A contract < €50,000 can be allocated freely
- A contract of €50,000 < €133,000 requires several quotations
- A contract > €133,000 requires a full tender

In choosing a winning bidder value for money is considered more important than just price. In the case of a silent partnership it is the active partner that must report to the silent one. The partner country need only report to the active partner. Embassies have Dutch financial staff who apply these rules.

2.6 Harmonisation

Partnership and harmonisation are key elements of the Netherlands' development cooperation strategy. They undertake a number of co-financing mechanisms, including with the World Bank, NGOs, and other 'like-minded' bilateral donors in the form of delegated cooperation (or "silent partnerships" in the terminology of the Nordic Plus), particularly where conditions are good (such as in a conducive policy environment) or conditions are particularly challenging (as in fragile states).

BOX 6: "Silent partnerships" are a form of delegated cooperation undertaken by like-minded donors, where the 'silent partner(s)' provide funds for a project or programme to be administered by the 'active partner'. The partner country deals only with the active partner, who is in turn responsible to the silent partner(s). The Nordic Plus have assessed each other to be suitable for engaging in delegated cooperation in principle. Canada has also been approved.

Since 2003, the Netherlands has engaged in an increasing number of Silent Partnerships in priority countries mainly involving Nordic Plus donors. There is an interest in extending this way of working to include other donors where possible. The Nordic Plus like-minded group have developed the Joint Financing Arrangement and a template for Silent Partnerships in order to provide a legal basis for joint subsidies. The experience gained with these instruments, especially in Zambia and Uganda, led to modifications to the format.

BOX 7: A Silent partnership - The Netherlands and Canada in Nicaragua

From March 2007, a Dutch-Canadian "silent partnership" aimed at reforming the Nicaraguan education system was announced. Until 2012 the Netherlands – as a silent partner – will contribute €34 million to the Program for Supporting the Education Sector (PROASE), with Canada as the active partner (Denmark are also a silent partner). Canada will therefore be responsible for all administration, including the monitoring and evaluation and financial management considerations of the programme, which supports the implementation of Nicaragua's National Education Plan (2001-2015), focusing on basic and secondary education.

However though the Netherlands acknowledge the advantages of Silent Partnerships, the mechanism is also considered to be less optimal than a more effective division of sectors among donors. Moreover Silent Partnerships are said to be "too much focused on harmonisation while paying too little attention to alignment".

Table 3-7. Paris Declaration Monitoring Survey 2006: Donor Coordination

	No. of countries surveyed	No. coordinated with at least one other donor	Total number in survey countries	Average coordination
Coordination of Missions	24	70	153	46%
Coordination of country analysis	24	27	35	77%

2.7 Tying of Aid

Dutch policy is to provide untied assistance, and all Dutch aid has now been untied. As reported to DAC, 99.98% of aid was untied in 2006, however the Paris Declaration monitoring survey found a lower figure of 90.57% untied aid in a survey of 24 Dutch partner countries.

Two instruments for supporting the Dutch private sector internationally receive limited funding from development cooperation funds. These are:

- 1. The Development-Related Export Transactions Programme (ORET)** - a grant programme which aims to facilitate investment in developing countries economic and social infrastructure by providing funds for capital goods, services or works. It specifies that a minimum of 50% of any transaction be tied to Dutch companies.
- 2. The Programme for Cooperation with Emerging Markets (PSOM)** - a fund for Dutch companies or consortia of Dutch companies, which execute projects in cooperation with local companies in emerging markets. The proportion of a project that can be funded varies from 50-100% according to the type of country concerned. PSOM funds are not tied to Dutch companies in Cape Verde, Malawi, Mali, Mozambique, Rwanda, Uganda and Zambia, where foreign companies based in there can also apply for a grant.

2.8 Partnership with NGOs

Presently roughly 20% of the Netherlands ODA is channelled through NGOs, a doubling of the levels seen in the recent past. There is a strong tradition of funding civil society actors, directly through embassies as well as indirectly through mechanisms administered in The Netherlands. Civil society is seen as an important partner in the development process, which opens up possibilities for complementarity between different funding channels. This can either take the form of the sharing of information, policy dialogue or engaging in joint projects. Cooperation is based on the assumption that each partner has specific added value based on their own distinctive roles.

Previously all the money earmarked for disbursement through NGOs was earmarked for just 4 Dutch NGOs. However in 2003 these funds were opened to a competitive application process and split into two separate pools, one for Dutch NGOs and one for International NGOs. The latter pool however is smaller and is assigned to a pre-selected group of 20 organisations, chosen on the basis of the government's policy priorities. The former must meet a set of qualitative criteria and prove that they are applying for no more than 75% of their total funding. The last selection process was carried out by a panel of 5 experts who were independent of the ministry and selected 58 Dutch NGOs for support. The process for the next round of funding, scheduled to take place in 2011, is currently under review. It should be noted that because embassies can choose to direct additional funding to NGOs beyond specific earmarked funds, the total proportion of Dutch ODA channelled through NGOs is therefore likely to be greater than 20% (see figure 3-2 and table 3-1).

2.9 Monitoring and Evaluation

Evaluations of the Netherlands' development cooperation are generally undertaken by the Policy and Operations Evaluations Department (IOB). The IOB's mandate includes the evaluation of the Dutch government's entire foreign policy. IOB's evaluations are used by ministers to account to parliament for policy and the allocation of resources. Efforts are made to incorporate the findings of evaluations into the Ministry of Foreign Affairs' policy cycle. Evaluation reports are used to provide targeted feedback, with a view to improving both policy intentions and implementation. The Minister for Development Cooperation prepares an official policy response in the form of a letter to parliament to show how the MFA intends to respond.

IOB has a staff of experienced evaluators and its own budget. When carrying out evaluations, it calls on the assistance of external experts with specialised knowledge of the topic under investigation. To monitor its own quality, it sets up a reference group for each evaluation, which includes both external experts and interested parties from within the Ministry. IOB evaluations form part of the Ministry's evaluation programme (set annually by the Senior Management Board) that appears in the Explanatory Memorandum to the Ministry of Foreign Affairs' budget.

Embassies and policy departments also undertake evaluations to complement the large-scale evaluations of the IOB, which focus more on routine and operational feedback. However problems have been identified both with the quality and operational feedback of these evaluations. Steps have been taken to address this, such as setting up a dedicated help desk within the IOB to support the planning and implementation of decentralised evaluations.

Looking to the future, the Netherlands, in common with a number of other donors, are looking towards an evaluation programme that is driven by the joint needs of multiple donors and of partner countries. IOB have been accordingly building links with other donors and groups, and led the Joint Evaluation of External Support to Basic Education in Developing Countries.

BOX 8: IOB Evaluations Completed in 2008

Clean and sustainable? An evaluation of the contribution of the Clean Development Mechanism to sustainable development in host countries.

Chatting and Playing Chess with Policymakers: Influencing Policy via the Dutch Co-Financing Programme.

The Netherlands Trade Union Co-Financing Programme: An evaluation of support for trade unions and trade unions and labour rights.

3. Research Functions and Knowledge Management

Table 3-8. Basic Facts About the Netherlands Research Structure

Dedicated research department?	No*	Dedicated research budget?	No
Departments involved in research	DCO, IOB, DEK, sectoral departments	Dedicated researchers within MFA?	No
Research strategy?	No	Important publications	A Rich Menu for the Poor

*Though a Cultural Cooperation, Education and Research Department (DCO) exists, it does not actually produce research itself, nor manage a research programme. The name is perhaps misleading.

The Netherlands have a particular structure to their research and knowledge management, the latter of which is being pursued with vigour.

Though there is a *Cultural Cooperation, Education and Research Department*, this is in some senses a misnomer since research in practice is a product above all of the various sectorally defined sections (e.g. Agriculture, Education etc.), who must decide how much of their general budget they use to commission research. There are no real dedicated researchers within the ministry itself, nor specific funding earmarked only for research, though the above department will use its funds to commission research that they feel is being missed by sector departments.

At the present time the Netherlands are also attempting a number of innovative techniques in order to increase the use and value of knowledge in their organisation, overseen by their Chief Scientist whose role is to oversee 2nd order changes within the ministry. A series of programmes aim to bring academic perspectives into the organisation:

- 3 groups of colleagues who meet in their lunch break once every two weeks to discuss knowledge management issues. Currently around 30 people participate. Looking to double the number by next year.
- Provide incentives for ministry officials to do a PHD in order to promote 'cross-over' with academia
- Promote and facilitate publishing of academic articles by ministry officials
- Fund three special professorships
- Facilitating academic meetings within the ministry consisting of 50% officials and 50% academics.
- An academic programme jointly funded with universities called the IS academy, in which interns are selected to work in the ministry from specific policy relevant courses, with ministry staff also acting as 'guest lecturers'. It is hoped that the



Chapter 4 Sweden

programme helps break down barriers between academia and the ministry.

Research also enters into the work of the advisory committees. Since researchers are part of the committees themselves, it helps ensure that their work is knowledge based, and that research work is policy relevant. Furthermore it makes research only one source of knowledge among many, to be negotiated to form final recommendations.

The Effectiveness and Quality Department (DEK) also promotes learning by inviting colleagues from across various departments, universities and research centres to produce papers. Every 6 months they collect 5 new papers which they draw together into the *Rich Menu for the Poor*, a publication available in both hard copy and on the web. DFID recently requested to distribute *Rich Menu for the Poor* among its staff.



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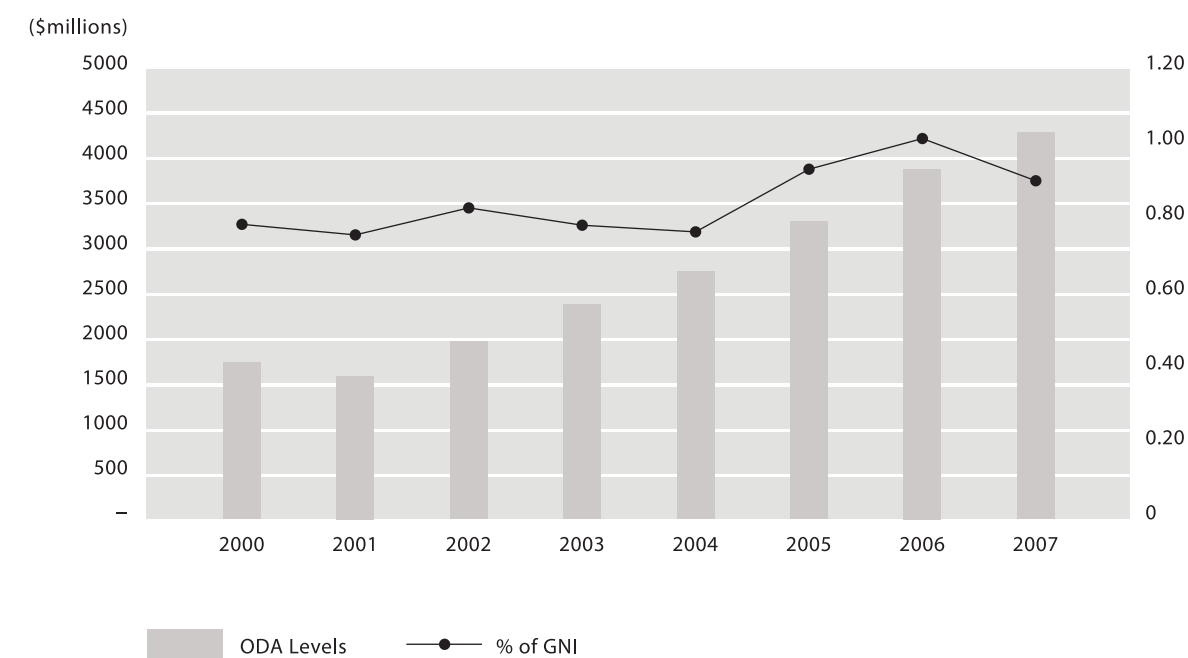
Quick Facts

The Nordic Plus is a group of 'like-minded' donor countries with a strong commitment to the aid effectiveness agenda. The members are Denmark, Finland, Ireland, Norway, Sweden, the UK, and the Netherlands, though the group aim to engage with other donors as much as possible in specific areas of cooperation (such as joint financing or common procurement procedures). The group was formed in 2003 in an effort to increase members' mutual cooperation and to harmonise procedures and practices in the interest of reducing the burden placed on developing countries in administering development cooperation. The Nordic Plus countries therefore are strong advocates of the Paris Declaration. Members, in addition to actively working towards increasing common policies and practices, have also agreed to engage in delegated cooperation with one another. All members have pre-approved one another in principle to be able to act as lead donor in projects or programmes where funds from multiple members are used, but administered by only one donor on the ground. For more details of this practice see Boxes 2 and 3 in section 2.6.

Exchange Rates

2006 \$1 = 7.37 Swedish Kroner 2007 \$1 = 6.75 Swedish Kroner (based on DAC statics)

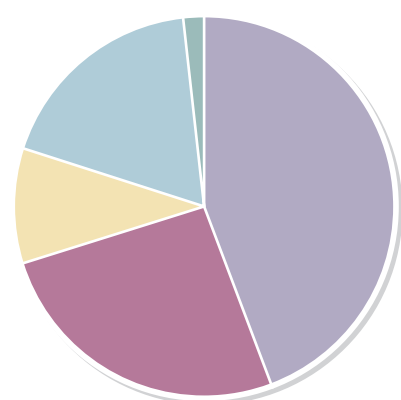
Total ODA Levels 2000-2007



Breakdown of Total ODA 2007 (\$millions)

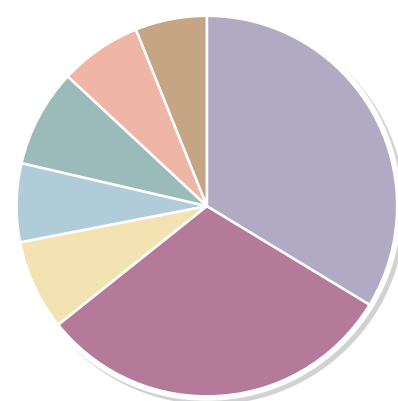
Bilateral ODA	2 851.89	Multilateral ODA	1 103.07
<i>Grants</i>	2 838.26	To UN Agencies	516.69
Capital Project Aid	24.61	To EC	245.95
Programme Aid	1 500.41	To IDA	47.47
Technical Co-operation	131.68	To Regional Development Banks	108.89
Humanitarian Aid	295.00		
Debt Forgiveness, total	292.37		
Support to NGOs	151.88		
Administrative Costs	192.89		
<i>Non-Grant Bilateral ODA</i>	13.63	Total	3 954.96

**Bilateral Allocation by Income Group
2006/2007 Average**



- Unallocated
- LDCs
- Other Low-Income
- Lower Middle-Income
- Upper Middle-Income

**Bilateral Allocation by Region
2006/2007 Average**



- Unspecified
- Sub-Saharan Africa
- South and Central Asia
- Other Asia and Oceania
- Middle East and North Africa
- Latin America and Caribbean
- Europe

1. Organisation and Strategy

1.1 An Introduction to Sweden as a Donor Country

Sweden has a long-history of missionary involvement in developing countries. The first Swedish missionaries travelled to Ethiopia as early as 1860. In 1952 the first governmental development cooperation organisation was formed, the Central Committee for Swedish Cooperation. The Swedish Parliament laid down that the goal of Swedish development cooperation should be to improve the standard of living of poor people - a goal which is still in place today. Development cooperation was to have three motives: peace/security, solidarity and trade. The Swedish International Development Authority, SIDA, was established in 1965.

Three years later, the Swedish Parliament decided that the level of Swedish development cooperation should be gradually increased to one per cent of GNI by the mid-1970s. Around the same time, countries receiving support were given a greater amount of influence over the projects or sectors that should receive support. By the mid-1970s the number of priority countries in receipt of Swedish support had increased to 14.

In 1978 the overall goal of improving the standard of living of poor people was supplemented with four sub-goals, on which all subsequent Swedish policy has been built: economic growth, economic and social equality, economic and political independence, and democratic development. Two years later in 1980, a strategic reorientation saw a shift in emphasis onto rural development in an attempt to focus increasingly on the poorest people. At the same time Sweden was beginning to attempt to increase the effectiveness of its support through substantial dialogue with recipient country partners. In 1995 SIDA merged with four small government agencies working with various aspects of development cooperation, to take greater responsibility for Swedish development cooperation. In 1998 a new sub-goal for Swedish development cooperation was introduced: the 'sustainable use of natural resources and protection of the environment'.

Because of its own history Sweden maintains a policy of neutrality, and is frequently perceived in the developing world and elsewhere as an "honest broker" and committed peacemaker. Sweden also is a strong supporter of the United Nations and other multilateral institutions.

1.2. Administrative Structure

Sweden's development cooperation is a product of the Ministry of Foreign Affairs (MFA) and the Swedish International Development Cooperation Agency (SIDA)¹. They collaborate very closely, but broadly speaking the MFA are responsible for the strategic level decision making, within the mandate provided by the Swedish parliament, whilst SIDA are the main operating agency for Swedish development cooperation and are responsible for making these plans a practical reality. Development cooperation is overseen by two ministers, the Minister of Foreign Affairs, who

¹ In official documents it is often written 'Sida', however for clarity capitals have been used

formally heads the MFA, and a specialist Minister for Development Cooperation. The Director General of SIDA is appointed by the Minister of Foreign Affairs.

Sweden's approach to government is centralised and intended to be efficient. In the general Swedish approach, the legal framework is established by parliament, policymaking is the role of small, highly focused ministries, and implementation is the responsibility of semi-autonomous agencies of government who receive annual letters of instruction from government. Consistent with this approach (see Figure 4-1), the Ministry for Foreign Affairs (MFA) plays a centralised policy making role for all Swedish development co-operation and relies heavily on the Swedish International Development Cooperation Agency (SIDA) for policy implementation.

Figure 4-1. Organisational Structure of Sweden's Development Cooperation

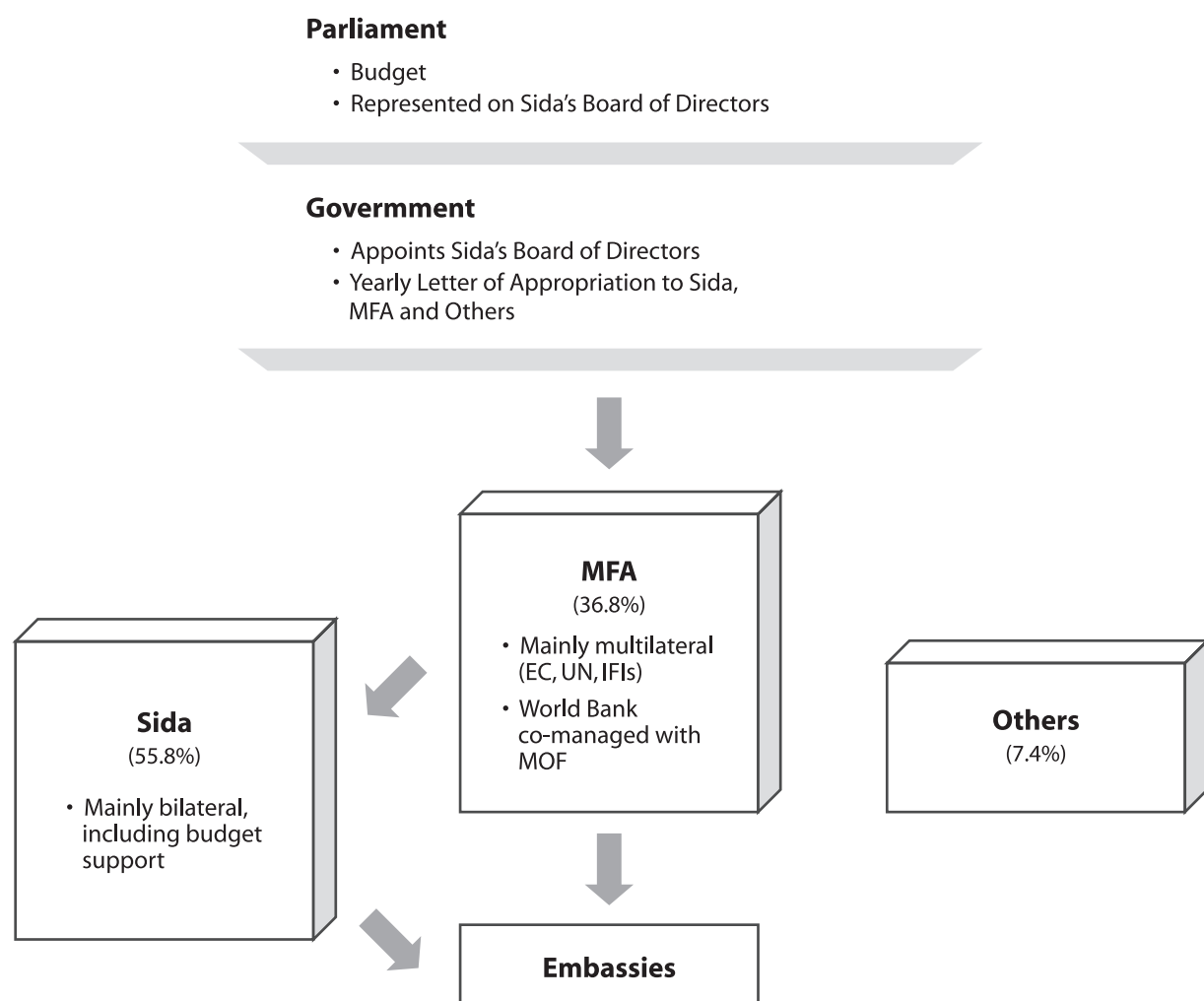


Figure 4-2. Organisation of MFA

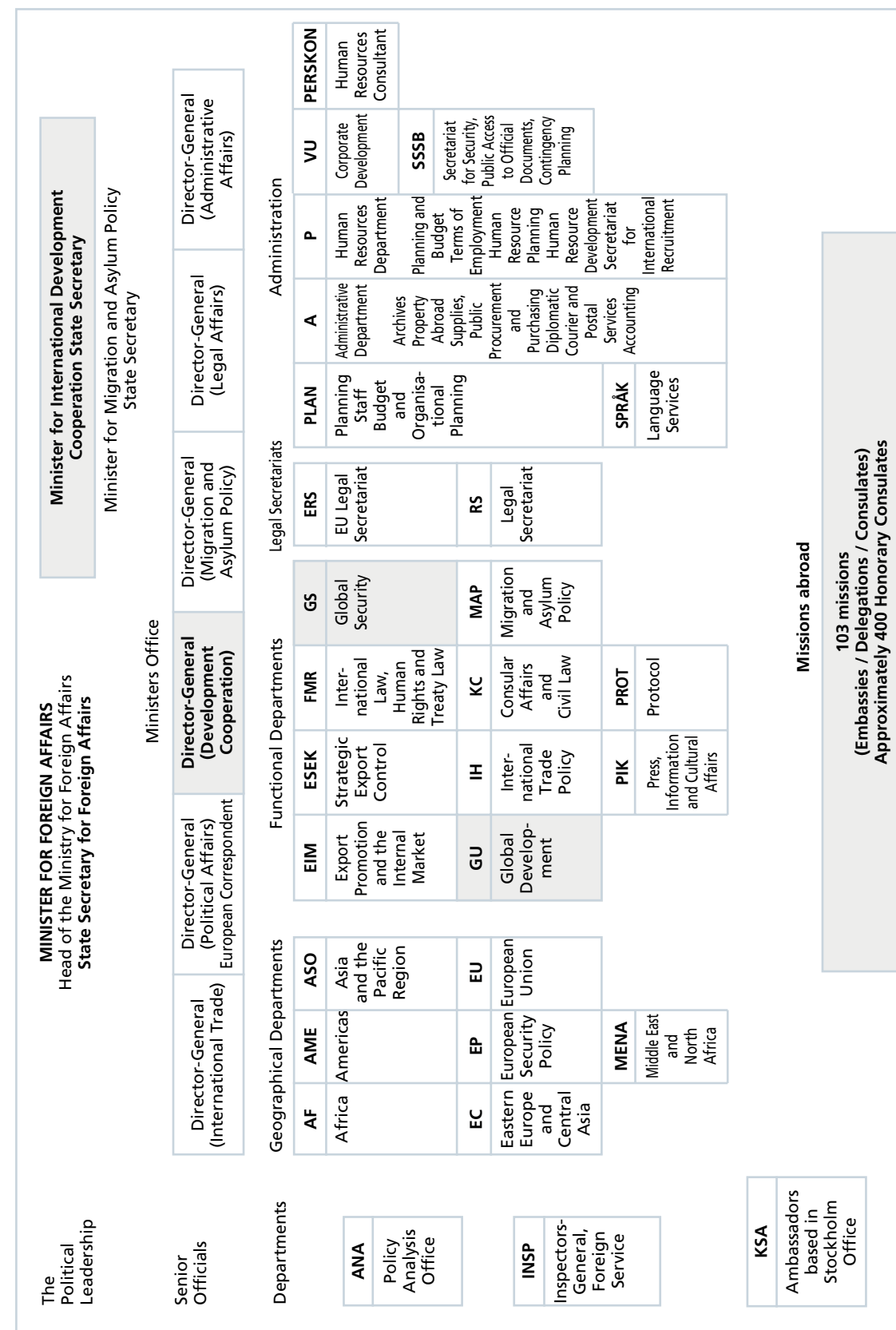
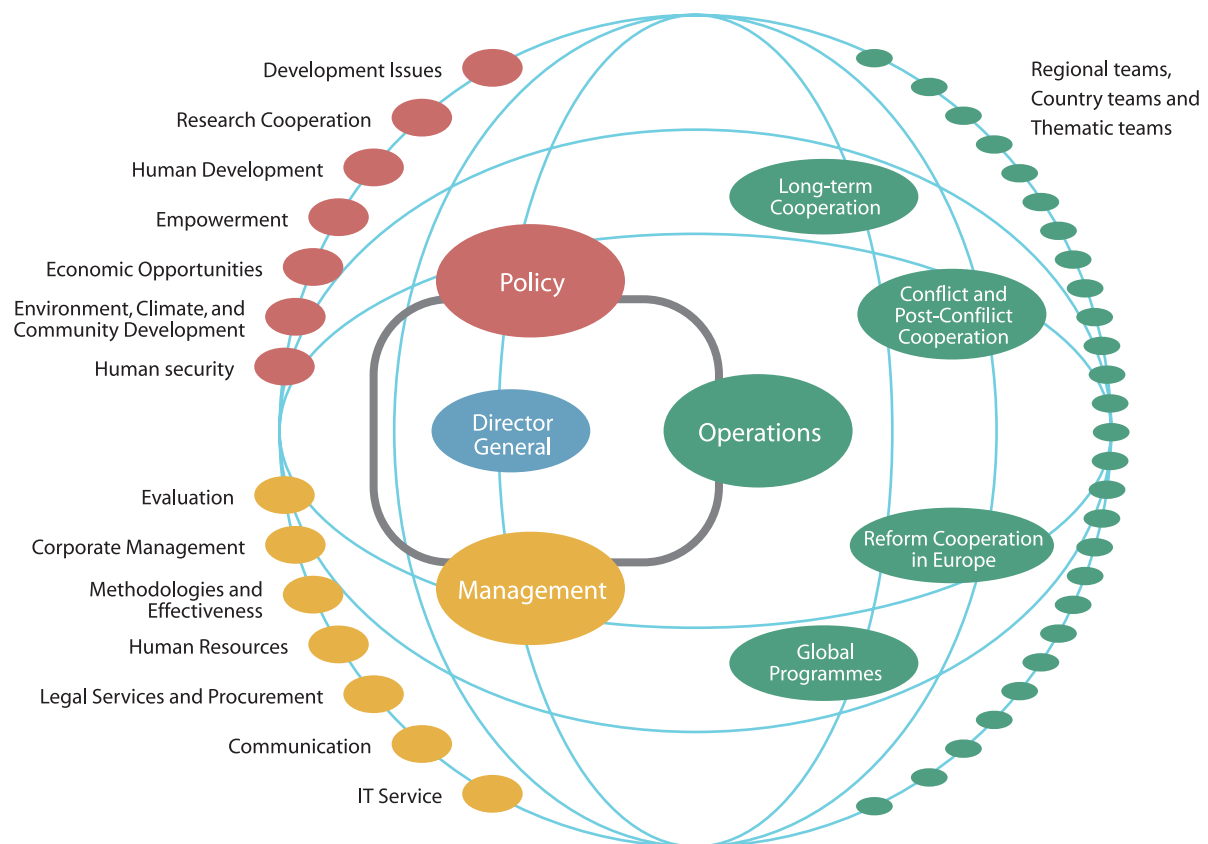


Figure 4-3. Organisation of SIDA



SIDA does not have its own country offices but instead is based within the Swedish embassy in recipient countries. This allows both political and efficiency gains, allowing Sweden to have a single base for representation within a developing country and as a result minimising overall administration costs. Within an embassy in a country in which SIDA work, the ambassador will be drawn from the MFA and the second in command, known as a Councillor for Development Cooperation, will be a SIDA employee. As a result both SIDA and the MFA will give instruction to embassies, further integrating the decision making process. All information (apart from confidential documents within the MFA) is mutually available to both MFA employees and SIDA employees, through intranet systems and other mediums.

SIDA recently restructured their internal organisation (figure 4-3. above) on October 1st 2008. The new structure has three main pillars: Policy, Operations and Management. Policy and Management are responsible for supplying expertise and qualified personnel, as well as developing methods to implement Agency operations. Operations are responsible for the implementation of the actual development cooperation. The various departments within each pillar can be seen in figure 4-3.

Box 1. SIDA's 3 pillars

- **Policy:** Policy has the overall responsibility for ensuring that the proper policies (norms and guidelines for work in a given area) are applied when new strategies are formulated and implemented.

Policy is also responsible for ensuring that personnel with the requested skills and expertise are available for the implementation of development cooperation.

- **Operations:** Operations is responsible for assisting the Government in the formulation of new strategies (except in research) and for preparing, implementing and monitoring contributions. This applies to contributions within the framework of strategies adopted for country cooperation, regional and global programmes, humanitarian assistance and support to NGOs.

Operations should develop support for actor-driven cooperation and regularly support portfolio analysis and reporting of results based on the strategies.

- **Management:** Management is responsible for strategic objectives and results-based management, human resource development, financial monitoring, method development, evaluation and functions for the supply of efficient IT support and service. In addition, Management co-ordinates Sida's communications efforts.

SIDA have approximately 800-850 staff, of which 600-650 are based in Stockholm with expatriate staff levels in the process of increasing to 190. Around a further 100 local staff are employed at a professional level. The development functions of the MFA contain approximately 70 professional staff, to which can be added a small number of embassy officials who consider development cooperation their primary occupation. Staff from the MFA and SIDA are encouraged to crossover between the two organisations in their careers, with all internally advertised posts in either the MFA or SIDA open and advertised to employees of both. Several current ambassadors are former SIDA staff.

An advisory council, which replaced the more powerful management board as of December 2007, is in place to provide strategic guidance. It consists of a number of stakeholders including parliamentarians, NGOs, academics and representatives of the private sector. Though previously the management board had budgetary responsibilities, the new advisory council's role will be much more informal, providing a centre of strategic discussion rather than any sort of administrative role. The full details of its role however are currently being worked out in the course of its first few meetings.

1.3 Policy Making

In 2003 the Swedish parliament enacted the Policy for Global Development (PGD) bill that underpins development cooperation and in which the basic framework for policy making is set out. More details of this are given in Section 1.5. SIDA and the MFA are expected to deliver this policy.

Within the new SIDA structure the Operations pillar is responsible for supporting the government when new policy documents are being drafted, to which the Policy pillar also contributes. The latter also add to strategic level discussions about global trends. However the Policy pillar's primary responsibility is ensuring SIDA delivers on the PGD and other policy or strategic issues in-country.

The MFA is more directly responsible for drawing up policy as the government department with most ownership over development cooperation (SIDA is an independent agency). The development cooperation portion of the Ministry is largely situated in the Department of Global Development (see figure 4-2.).

The MFA periodically writes and communicates statements of policy, however though SIDA is not technically a policy making body it also generates numerous formal policy statements. In practice, policy making is a relatively consensual process involving parliament, the advisory board, and especially SIDA and the MFA. Power though ultimately rests with the government and the PGD is the final word in Swedish development policy.

1.4 Decision Making

The MFA have primary responsibility for setting out rough strategic plans that will be around 10 pages in length with the assistance of the Operations pillar of SIDA. The Operations team then are responsible for preparing, implementing, and following up interventions within the framework of adopted strategies. In practice, therefore, within the constraints of overall strategy, responsibility and decision-making in development cooperation rests with SIDA. Though proposals must be submitted to the MFA, micromanagement is rare.

Operations are split into one global, 6 regional, and 33 country teams (with an additional 6 other teams). These teams have overall responsibility for funds and other resources for delivering on country strategies, formulate all documentation, and represent SIDA in dialogue with internal or outside parties regarding development cooperation. The teams themselves are made up of personnel belonging to departments in Policy or Management.

Country (or regional) strategies usually run for 5 years. Most preparatory work is undertaken at the embassy by SIDA staff, in consultation with the recipient country and other donors, but is expected to be linked heavily to the country's PRSP. The country strategy is usually complemented by an 'Agreement on Development Cooperation'. A critical operational step in translating this strategy into action is the country (or regional) plan. These plans include a rolling 3 year budget and are updated annually by the embassy in consultation with the SIDA sector and regional departments in Stockholm. These plans contain directives on key operational areas

(priority and size of contribution, dialogue and coordination, evaluation plans, resource plans) and are the major steering documents for cooperation in the field.

The trend in the distribution of power in Sweden's development cooperation is downwards rather than towards the centre. SIDA's new Director General, appointed in January 2008, plans a 'shift in power' from Stockholm to the field. This complements the strategy of the new government, elected in 2006, to focus Sweden's international development cooperation on fewer countries. 14 embassies have been selected to be countries of major focus with a lot of power devolved to the country level.

1.5 Current Strategy

The PGD has 8 so-called 'cornerstones', which should shape how development cooperation is used:

- Respect for human rights.
- Democracy and good governance.
- Gender equality.
- Sustainable use of natural resources and protection of the environment.
- Economic growth.
- Social development and social security.
- Conflict management and human security.
- Global public goods.

Following a review of operations, SIDA have decided to focus on issues where Sweden consider themselves to possess a comparative advantage in expertise, experience, or credibility. There are five key mutually dependent areas:

- 1) Environment and climate
- 2) Democracy, gender equality and human rights
- 3) Knowledge and public health
- 4) Economic development
- 5) Peace and security

In addition to these 5 areas Sweden have decided to instigate a process of greater country focus, including:

- A stronger focus on Africa as the continent with the greatest need of support for poverty reduction, and the continent most affected by conflicts, HIV/AIDS and the risk of starvation.
- A stronger focus on Europe to assist former Soviet states and countries in south-eastern Europe establish closer ties with the European Community, creating the conditions for reducing poverty in these countries and promoting a democratic and stable Europe.
- A stronger focus on peace and security by further developing cooperation with the majority of states in a conflict or post-conflict situation.

- A stronger focus on democracy and human rights as a prerequisite for sustainable development, and retaining strong involvement in democratic social development in several states with a serious democratic deficit.

1.6 Multilateral Strategy

Sweden is one of the major donors to multilateral agencies. The new policy for global development recommends closer Swedish cooperation with the EU Commission and multilateral bodies such as UN agencies and the World Bank. The policy states, among other things, that Sweden should continue to work to make the activities of the multilateral organisations more efficient and to increase cooperation between the organisations. Sweden should have effective representation and a high profile in the boards of these organisations to enable the new policy to have an impact.

Poverty reduction is the central point of departure for Sweden's actions in these institutions. Sweden's intention is to induce them to provide better support for the poverty strategies produced by the developing countries. Increasing importance is being attached to aid effectiveness, the alignment and harmonisation of donors procedures, and to increasing the influence of developing countries.

2. Implementation

2.1 Budget Summary

Table 4-1. Basic Budgetary Information 2007

Total budget (\$million)	4 339 (100%)	Total GBS 2006/7 (\$million)	143 (5% of total bilateral)
% of GNI	0.93	Contribution to EU ODA (\$million)	313
Total Bilateral (\$million)	2 932 (68%)	Contribution to 15th Replenishment of IDA (\$million)	750
Bilateral to Africa (\$million)	781 (30% of total bilateral)	Administration (\$million)	214 (5%)
Total NGOs (\$million)/	234 (8% of total bilateral)	Minimum Predictability	4 - 5 years

Sweden's ODA has more than doubled since 2000, and continues to increase steadily. In 2007 Sweden's development cooperation was around \$4 billion, 0.93% of GNI, almost meeting the government's target of 1% of GNI. Around 68% of this was distributed through bilateral channels. Approximately one-third of the funds for Sweden's multilateral development cooperation is allocated to the so-called 'development banks' (the WB and the various regional development banks) Sweden is also a large supporter of the UNDP and UNICEF.

2.2 Country Partners

Sweden provides approximately 120 countries in Africa, Asia, Latin America and Europe, with development cooperation. The large number of countries is at least in part because the Swedish Parliament, not SIDA, decide on the countries that are to receive support from Sweden, and this tends to inflate the number of countries above what might be considered a more sustainable level. However only 33 countries are officially designated 'partner countries' on whom Sweden's development cooperation is focused. This number is the result of a renewed focus in Sweden's development cooperation (referred to as the 'country focus process') long promoted by SIDA and other development specialists within the Swedish structure, with the aim of increasing Sweden's relevance and influence within the countries in which it wishes to focus itself most.

Table 4-2 below sets out the list of 33 countries.

Table 4-2. Sweden's Partner Countries

Long-Term Partner Countries	Conflict and Post-Conflict Situations	Eastern Europe	Top 12 Countries by Disbursement (2007)
Burkina Faso	Burundi	Albania	Tanzania
Ethiopia	DR Congo	Bosnia Herzegovina	Mozambique
Kenya	Liberia	Georgia	Sudan
Mali	Sierra Leone	Kosovo	Uganda
Mozambique	Somalia	FYR Macedonia	Afghanistan
Rwanda	Sudan	Moldova	Zambia
Tanzania	Afghanistan	Serbia	West Bank and Gaza
Uganda	Timor-Leste	Turkey	Vietnam
Zambia	Iraq	Ukraine	Kenya
Bangladesh	West Bank and Gaza		Ethiopia
Cambodia	Colombia		Nicaragua
Bolivia	Guatemala		Bosnia Herzegovina

■ Denotes non-Partner country

These 33 countries are loosely grouped into three categories, in order to better clarify the reasons for Sweden's presence:

- Long-term: 12 countries in Africa, Asia and Latin America with whom Sweden have long been cooperating and where Sweden provides clear added value (*Burkina Faso, Ethiopia, Kenya, Mali, Mozambique, Rwanda, Tanzania, Uganda, Zambia, Bangladesh, Cambodia and Bolivia*)
- Countries in conflict and post-conflict situations: 12 countries/regions in Africa, Asia, the Middle East and Latin America to whom Sweden provides development cooperation despite their fragility, as opposed to just humanitarian support (*Burundi, DR Congo, Liberia, Sierra Leone, Somalia, Sudan, Afghanistan, Timor-Leste, Iraq, Palestine, Colombia and Guatemala*)
- Countries in eastern Europe: 9 countries with which Sweden will conduct 'reform cooperation' with the goal of facilitating integration with Europe and strengthening Sweden's immediate regional neighborhood (*Albania, Bosnia and Herzegovina, Georgia, Kosovo, Former Yugoslav Republic of Macedonia (FYROM), Moldova, Serbia, Turkey and Ukraine*)

In a further seven countries development cooperation is being slowly phased out to be replaced by new forms of Swedish involvement. In these countries the transitional period will be characterised by selective involvement in prioritised areas such as the environment and human rights. These countries are *Botswana, Namibia, South Africa, India, Indonesia, China, and Vietnam*. 23 other countries are being phased completely such that they will no longer receive any bilateral development cooperation whatsoever. These countries are *Angola, Cote d'Ivoire, Malawi, Nigeria, the Philippines, Laos, Mongolia, Pakistan, Sri Lanka, Thailand, Chile, El Salvador, Haiti, Honduras, Nicaragua, Peru, Armenia, Azerbaijan, Kyrgyzstan, Montenegro, Tajikistan, Russia, and Lebanon*.

The choices made to focus on the countries that will remain 'partner countries' in Swedish development cooperation have been taken over a significant period during which Sweden has been reflecting on the number of countries to whom it channels development assistance. The decision has been based on a number of factors, including the government's strategic framework and Sweden's experience and comparative advantage.

2.3 Sector Concentration

Like most other donors Sweden has been working to concentrate its development cooperation in a fewer number of sectors within its priority countries. SIDA freely admits that, in the past, resources have been too thinly spread across too many sectors, which has reduced the effectiveness of Swedish development assistance. Ideally, in line with internationally agreed commitments, SIDA should be involved in no more than 2-3 sectors per country; however again in common with most other donors this remains a difficult target to operationalise. Table 4-3 below shows the sectors in which SIDA are active across their 30 focus countries. In over half they are active in more than 3 sectors.

Table 4-4 looks in more detail at the priority sectors in Sweden's 12 designated 'long-term' partner countries, comparing the stated priorities with the sectors that receive the most funds. Notably it shows the often very broad priorities that are given in country strategies ('social development' for example) can imply intervention across a variety of sectors, and therefore may very well be contributing to SIDA's involvement across a wider number of sectors than international targets imply should be the case. Furthermore the number of sectors within which Sweden is active is most likely also increased by an especially wide range of priority and cross-cutting areas (see section 1-5), which, as well as being designed to be mainstreamed within sector programmes, also influence sector choices.

Sweden's development cooperation is strongly focused on the social sectors, to which \$936.7 million was allocated in 2006, whereas \$296.2 was allocated for the economic and productive sectors. The scale of the imbalance is somewhat surprising given Sweden's clear prioritisation of economic growth, but reflects international trends since the late 1990s.

Table 4-3. Active Sectors in Focus Countries (minimum contribution of \$1 million)

Country	Health	Education	HR & Dem.	Conflict, Peace & Security	Humanitarian Ass.	Inf.	Trade & Industry	Natural Resources & Env.	Budget Support
Burkina Faso	◆	◆	◆					◆	◆
Ethiopia	◆	◆	◆		◆		◆	◆	
Kenya	◆		◆		◆	◆		◆	
Mali	◆	◆	◆						◆
Mozambique	◆	◆	◆			◆		◆	◆
Rwanda			◆	◆					◆
Tanzania	◆	◆	◆			◆	◆	◆	◆
Uganda	◆		◆		◆	◆	◆	◆	◆
Zambia	◆		◆			◆		◆	◆
Bangladesh	◆	◆	◆		◆	◆	◆		
Cambodia		◆	◆						
Bolivia	◆	◆	◆				◆	◆	
Burundi				◆	◆				
DR Congo		◆	◆	◆	◆				
Liberia	◆			◆	◆				
Sierra Leone					◆				
Somalia			◆	◆	◆				
Sudan			◆	◆	◆				
Afghanistan	◆	◆	◆	◆	◆	◆			
Timor-Leste		◆	◆		◆				
Iraq			◆	◆	◆	◆			
Palestine	◆		◆	◆	◆	◆			
Colombia			◆	◆	◆				
Guatemala	◆		◆		◆	◆		◆	
Albania	◆		◆			◆		◆	
Bosnia Herzegovina		◆	◆			◆	◆	◆	
Georgia			◆	◆				◆	
Kosovo			◆			◆			
FYR Macedonia			◆					◆	
Moldova	◆		◆			◆		◆	
Serbia			◆			◆		◆	
Turkey			◆						
Ukraine	◆		◆	◆		◆	◆	◆	

Table 4-4. Priority Sectors in SIDA's 12 Long-term Partners

Country	Stated priorities	Top 3 Sectors by Disbursement	Amount Disbursed in 2007 (\$million)
<i>Burkina Faso</i>	Human Rights and Democracy	Budget Support	10.05
	Natural Resources and Environment	Education	4.3
	Health (HIV/AIDS)	Health	4.3
<i>Ethiopia</i>	Human Rights and Democracy	Natural Resources and Environment	15.42
	Social Development	Humanitarian Assistance	6.36
	Economic Development	Human Rights and Democracy	6.06
<i>Kenya</i>	Pro-poor Growth	Human Rights and Democracy	21.94
	Social Development	Natural Resources and Environment	14.58
	Natural Resource Management		
	Democratisation	Infrastructure	7.96
<i>Mali</i>	Democracy and Social Development	Budget Support	13.4
	Natural Resource Management	Education	8.56
	Pro-poor Growth	Health	4.45
<i>Mozambique</i>	Democratisation	Budget Support	50.3
	Sustainable Growth	Human Rights and Democracy	25.01
	Social and Human Development	Infrastructure	17.46
<i>Rwanda</i>	Peace and Democracy	Budget Support	13.46
	Sustainable development	Human Rights and Democracy	3.24
	-	Natural Resources and Environment	1.36

Tanzania	Pro-poor growth	Budget Support	58.91
	Human development	Human Rights and Democracy	16.99
	Democratisation	Infrastructure	15.36
Uganda	Democratisation	Humanitarian Assistance	14.57
	Private Sector Development	Health	14.50
	Health	Human Rights and Democracy	10.30
Zambia	Pro-poor growth	Health	22.70
	Social protection	Budget Support	16.19
	Human Rights and Democracy	Natural Resources and Environment	10.56
Bangladesh	Health	Health	21.77
	Education	Education	4.87
	Human Rights and Democracy	Human Rights and Democracy	4.05
Cambodia	Human Rights and Democracy	Human Rights and Democracy	8.03
	Education	Education	7.91
	Rural Development	-	
Bolivia	Human Rights and Democracy	Human Rights and Democracy	9.07
	Education	Education	8.14
	Natural Resources and Environment	Natural Resources and Environment	3.66

2.4 Modalities: Project, Programme, Budget Support

Figure 4-4. Breakdown of Bilateral Aid Modalities 2007

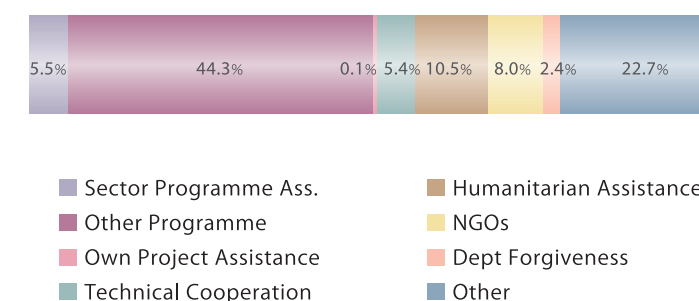


Figure 4-4 provides a guide to the various modalities and types of assistance provided by Sweden. According to OECD DAC statistics capital project aid consists of a very small proportion of total bilateral cooperation, only 0.1% of a total bilateral allocation of just under \$3 billion. According to these statistics over half of Sweden's bilateral cooperation is allocated directly through programmatic approaches. The more detailed studies in the Paris Declaration Monitoring Survey suggest a similar level, approximately 47%, though it should be noted that it looks only at 24 countries.

The vast majority of this money will be distributed in grant aid. Soft loans consist of less than 5% of total cooperation. Debt relief is around 2.4% of the total. General Budget Support (GBS) and Sector Wide Approaches consist of approximately 5% and 10% respectively.

Though it is Swedish policy to increase the level of budget support where it is felt the appropriate conditions exist, in practice the approach to budget support within SIDA is cautious rather than enthusiastic. SIDA officials particularly pointed out the vulnerability of GBS to political instability and though attempts may be made to increase the proportion of cooperation delivered through partner country systems, it is considered wise to have a portfolio of modalities. The countries that received GBS in 2006 and 2007 are listed in table 4-5 below. Though the general level of GBS increased year on year as a result of increased GBS for countries considered 'good performers', both Nicaragua and Uganda lost all GBS in that time. In Uganda's case this was a consequence of governance concerns and declining service delivery, and in the case of Nicaragua it was a result of a range of concerns including the independence of the judiciary and respect for human rights.

Table 4-5. Recipients of Swedish General Budget Support

Country	Amount of Support (\$million)*	
	2006	2007
Burkina Faso	8.33	9.99
Mali	13.32	13.32
Mozambique	33.30	49.95
Nicaragua	11.66	0
Rwanda	13.32	13.32
Tanzania	49.95	58.28
Uganda	5.58	0
Zambia	8.08	16.02
Total	143.52	160.87

*Using current exchange rates

Box 1: Conditions for the Provision of Budget Support

- The country must have its own poverty-reduction strategy with a clear policy of promoting human rights and improving living conditions for the poor.
- The country must strengthen its financial system so that state spending can be planned, managed and followed-up.
- The economic policy should be responsible and long-term.
- In addition, result evaluation should show progress, such as a greater number of girls in school or improved management of state funds.

If problems arise, they should firstly be solved through a dialogue between the donor countries and representatives of the recipient country. Discontinuing support should result only when it is not possible to quickly resolve the situation, or where dialogue appears futile.

2.5 Alignment with Partner Country Systems

Sweden has taken an active role in the promotion of both harmonisation and alignment in the DAC and EU. Sweden has co-chaired the Task Team on harmonisation and alignment in the DAC Group on Aid Effectiveness, and often raises issues of harmonisation and alignment in dialogue with multilateral organisations both at central and at country level. Sweden is also active in efforts to harmonise procedures across a range of different initiatives including the Strategic Partnership with Africa, in Global Funds, in co-ordination of humanitarian assistance (Good Humanitarian Donorship) and in the Fast Track Initiative in education.

Table 4-6. Paris Declaration Monitoring Survey: Measuring Alignment

Indicator Number	Indicator	2005 baseline ration	Illustrative targets for 2010
3	Aid flows are aligned on national priorities	64	93
4	Strengthen capacity by coordinated support	49	100 (EU target)
5a	Use of public financial management systems	47	50 (EU target)
5b	Use of country procurement systems	48	50 (EU target)
6	Avoid parallel implementation structures	36	3; no new Parallel Implementation Units (EU target)

There has been a growing awareness within SIDA since the early 1990s of the potential benefits of using partner countries' own systems in development. Present policy, in line with internationally agreed standards, is that as far as possible everything should be managed by partner governments, if necessary aided by 'expert' assistance where capacity is lacking. SIDA requirements always focus on 'what' and not on 'how', i.e. no prescribed forms for reporting etc. are used. Partner country analytical work is relied upon whenever this is available. The National PRS is always the starting point for Swedish country assistance strategies and projects/programmes funded by Sweden are normally fully aligned with national sector policies.

In general SIDA perform well in the Paris Declaration Monitoring Survey's attempts to quantify progress in commitments to align with partner country systems, scoring above the DAC average across all the indicators that measure alignment.

With regard to procurement, Sweden again use partner country systems as far as possible, 48% of the time according to the Paris Declaration monitoring survey. The SIDA Procurement Guidelines define the procurement policies and rules to be applied by partners or by SIDA in SIDA financed operations. The Nordic Plus have developed an e-learning course on procurement to make programme officers (both those posted from headquarters and those locally employed), or staff working in programme officer functions, at the Nordic Plus

embassies or offices in developing countries familiar with processes and tools that facilitate assessment of national procurement systems and the selection of appropriate procurement options.

In both their own, and in partner country procurement processes, emphasis is placed on the European procurement regulations. Specifically this means that:

- A contract < €50,000 can be allocated freely
- A contract of €50,000 < €133,000 requires several quotations
- A contract > €133,000 requires a full tender

2.6 Donor Harmonisation

Table 4-7. Paris Declaration Monitoring Survey 2006: Donor Coordination

	No. of countries surveyed	No. coordinated with at least one other donor	Total missions/country analysis in survey countries	Average coordination
Coordination of Missions	24	65	203	32%
Coordination of country analysis	24	38	111	34%

Sweden is enthusiastic about efforts for donor harmonisation, which at least in part results from a desire to maximise its influence and reach as a medium sized donor. A large part of Sweden's development cooperation is implemented through co-financing with multilateral and other bilateral donors through contributions to trust funds, assistance which is also commonly known as 'multi-bi'.

Within Sweden, focal points for harmonisation are the Department for Global Development within the MFA, and Department for Policy and Methodology within SIDA, who have a mandate "to guide, co-ordinate and support" implementation of harmonisation. Key operational actions undertaken include a Harmonisation Action Plan for SIDA, a variety of circulars to field offices and SIDA departments requesting information on obstacles that prevent implementation of the Harmonisation Action Plan, specific encouragement for agreements with other agencies (referred to as "stealing with pride") which delegate Sweden's implementation of development in a more harmonised manner, and a range of special presentations.

This has led to some tangible results at the country level. That said, table 4-5 above showing the amount of coordination to be found in Sweden's development cooperation in 24 countries, suggests mixed results. Sweden is above the DAC average in coordination of country missions, but far below average on coordination of country analysis.

In particular cases Sweden has embraced the principle of delegated cooperation (or "silent partnership") which has to an extent been pioneered by the Nordic Plus group of donors. Examples such as Malawi, where Sweden has delegated all their cooperation to Norway, Mali, where cooperation in the education sector was delegated to the Netherlands, and Zambia, where Sweden was involved in the well-known 'Harmonisation in Practice' action that gave birth to the Nordic Plus group. However despite this it was suggested during discussions that Sweden's preference is for complementarity among donors under the leadership of partner countries rather than delegated cooperation.

Box 2: Silent Partnership in Practice: Sweden and Norway in Malawi

Norway and Sweden agreed a cooperation framework to reduce the administrative burden for Malawi and to improve the efficiency of the \$14 million development assistance programmes funded equally by Norway and Sweden. They agreed with the Government of Malawi which areas of development cooperation would be covered by this framework.

Based upon agreements in Annual Meetings, Sweden makes available an annual grant for specific development projects/programmes in Malawi based on an indicative request from Norway. Transfers from this annual grant are made half-yearly to NORAD's bank account. In addition to the annual grant, Sweden may also offer technical assistance for studies, reviews and evaluations of a project, when requested by Norway.

Norway manages Sweden's grants in accordance with the guidelines for Norwegian development assistance. This includes identifying potential projects, making appraisals, deciding on support, entering into agreements, monitoring, evaluating and reviewing each individual project in accordance with the Annual Meeting. Norway manages the grants so that disbursement at the end of the financial year reflects the proportionate distribution of contributions decided upon in the Annual Meeting.

Norway submits to Sweden in advance a financial overview and plan that includes project budgets. Norway, as lead donor, provides Sweden with copies of the annual report, audit reports by the Auditor General of Norway, evaluation reports and other reports requested by Sweden.

Norway has entered into a Memorandum of Understanding with the Government of Malawi, stating the scope of the development cooperation and Norway's authority to represent both countries within the areas and projects stated in the Agreement. Each subsidiary project or programme agreement also states that it is jointly funded.

Box 3: "Silent partnerships" are a form of delegated cooperation undertaken by like-minded donors, where the 'silent partner(s)' provide funds for a project or programme to be administered by the 'active partner'. The partner country deals only with the active partner, who is in turn responsible to the silent partner(s). The Nordic Plus have assessed each other to be suitable for engaging in delegated cooperation in principle. Canada has also been approved.

2.7 Tying of Aid

Sweden's policy is to provide untied assistance. The Paris Declaration Monitoring Survey found 100% of Sweden's aid in 24 countries surveyed to be untied. However concessional credit provided by SIDA called the Independent Guarantee Scheme remains in place in which the funds are tied to Swedish 'interests'. The purpose is to use limited funds and public sector risk-taking to mobilise commercial resources which otherwise would not be available for projects which are considered worthwhile from a development perspective.

Box 4: SIDA Independent Guarantee Scheme

Three types of guarantees are offered through the scheme:

- *Credit enhancement guarantees*, i.e. strengthening the creditworthiness of the sponsors implementing the project on the local or international financial markets.
- *Performance guarantees*, mitigating political risks such as non-adherence of governments or authorities in host countries of conditions essential for a commercial project;
- *Investment guarantees*, for covering political risks for Swedish investors in terms of equity of new investments in, for example Build-Operate-Transfer (BOT) projects in developing countries.

Guarantees should only be provided:

- for clearly defined projects
- against risks that cannot be covered or are difficult to cover by commercial institutions (e.g. due to the loan maturity; high perceived risk, new financial services, etc.);
- for projects with a 'Swedish interest', for example due to development co-operation, and/or Swedish commercial interests in the project;
- for projects which are in line with the objectives and targets of the Swedish Development Co-operation Policy;
- on a risk-sharing basis. Only exceptionally can SIDA guarantee to cover 100% of risk;
- against a risk-reflecting fee to be paid by the beneficiary.

2.8 Partnership with NGOs

There are funds earmarked specifically for Swedish NGOs. SIDA will provide up to 80% of their total funding. Much of the funding for Swedish development cooperation is channelled through Swedish Non-Governmental Organisations (NGOs). The objective of SIDA's support through these organisations is formulated in a policy for civil society: "SIDA shall aspire to promote the development of a vibrant and democratic civil society that increases the possibilities for poor people to improve their living conditions".

SIDA can support civil society in four different ways. Three contribute *directly* to supporting civil society and one contributes *indirectly*. SIDA provides:

- (1) support to an organisation selected on the basis of its competence as an

implementing agency to carry out an assignment of importance to SIDA within the framework of the current cooperation strategy. Here, the activities are in focus.

- (2) support to an organisation with the aim of strengthening its capacity as a democratic actor in civil society. Here, the focus is on the organisation and its development.
- (3) support to organisations and networks to strengthen the role of civil society as an arena for citizens' engagement, and to promote transparency, cooperation and networking among organisations.
- (4) support for the development of an *enabling social environment* to strengthen the structures that create conditions for civil society to take action, an indirect form of support. In dialogue with the governments in partner countries, SIDA shall promote opportunities for civil society organisations to influence the design and implementation of poverty reduction measures.

Box 5: Criteria for Assessment of Potential Frame Organisation

Legitimacy: a frame organisation should have a democratic structure and its work should be based on democratic values. It should also be permeated by openness towards its stakeholders and the general public. This means that a frame organisation will normally be a non-profit or cooperative association.

Competence in development issues: the organisation's general expertise in the broad field of development cooperation and global policy. This expertise includes the organisation's documented capacity to perform effective development cooperation work that strengthens civil society in the partner countries.

Competence in learning and methods development: the organisation's general competence in respect of its own learning in all its activities, its capacity for change, as well as its knowledge of and interest in methods development in the broad field of development cooperation.

Communications ability in development cooperation: the organisation's capacity, strategy and determination to communicate with its members/member organisations and partners in cooperation.

Communications ability in Sweden: the organisation's ability, experience and capacity for communications work and information on development issues in Sweden. The assessment includes the organisation's ability to stimulate dialogue, debate and opinion.

Ability to mobilise commitment and resources: the capacity of the organisation to mobilise commitment in Sweden, as well as to raise funds or mobilise resources in other ways in support of its activities.

Scope and breadth of activities/specific skills: the scope and breadth of the organisation's activities or its skills in specific issues.

Reliability of systems for management and control: the organisation should have reliable internal systems for the management and control of its activities.

Experience of previous cooperation: previous cooperation with SIDA or other partners, as well as SIDA's assessment of the quality of the activities reported on.

The SEKA/NGO Division is responsible for cooperation with 14 Swedish ‘frame organisations’ that have entered into framework agreements with SIDA. The development cooperation appropriation to NGOs was approximately \$167 million in 2007.

2.9 Monitoring and Evaluation

SIDA’s Department for Evaluation produces independent evaluations which assess the relevance, sustainability, efficiency and results of development cooperation financed by SIDA. The evaluations are used as a tool for management and learning. All evaluations are published and thus give the general public an insight into Swedish development cooperation. Hence the evaluations also serve the purpose of accountability.

Evaluations of development assistance through SIDA are conducted at three levels:

1. SIDA departments and teams carry out evaluations within their own areas of responsibility.
2. The Department for Evaluation (UTV) which takes a broader view, focusing on thematic and strategic issues of wide relevance. UTV has an independent status and reports directly to SIDA’s Director General. In addition to carrying out evaluations on its own, or in cooperation with other organisations, UTV supports the evaluation activities of SIDA’s other departments.
3. By the Swedish Agency for Development Evaluation (SADEV). SADEV is an independent agency mandated to evaluate all Swedish development cooperation.

Since 1999 SIDA has a management response system whereby SIDA formally responds to the findings and recommendations of evaluations conducted by UTV. There are also formal mechanisms for responding to evaluations commissioned by other SIDA departments.

Box 6: SIDA Evaluations 2008

Evaluations and Pre-Evaluation Studies Completed in 2008

- *Exit Management* (joint evaluation with Denmark, Norway and the Netherlands) (2005-2008)
- *SIDA’s Work in the Education Sector* (2007-2008)
- *Citizen’s Voice and Joint Accountability* (2007-2008)
- *Diakonia’s Latin America Programme* (2006-2008)
- *Statistical Capacity Building* (joint evaluation with DFID lead, and other donors) (2008)
- *Quality of SIDA Evaluations* (2007-2008)
- *SIDA Evaluations and Audits 2007* (2008)
- *LRRD II – Follow up to Tsunami Evaluation* (joint evaluation with partners countries, NGOs and donors) (2007-2008)

The evaluation plans at SIDA’s departments, the embassies and section offices for 2008 comprise 127 further evaluations.

- Almost 60% of the evaluations will be carried out in accordance with prior project agreements.
- Almost 80% of the evaluations concern projects that have previously not been evaluated by SIDA.
- SIDA is responsible for the majority of the planned evaluations.
- 38% of the planned evaluations are to be conducted at the end of phase.
- Among the stated uses of the evaluation, ‘need for information relevant to a decision concerning continued support’ and ‘basis for fine-tuning or modification of evaluated project/programme’ are the most common.

The Consolidated Evaluation Plan 2007 for SIDA’s departments covered 120 evaluations. At the end of December 2007, a total of 48 evaluations had been completed (including 13 evaluations not listed in the plan). The status of the remaining evaluations was reported as follows: 26 were ongoing, 21 had been postponed, and 26 had been removed from the plan.

A more detailed account of the implementation of the departmental plans can be found in UTV’s Annual Evaluation Report⁴.

⁴ Available here:
http://www.sida.se/sida/jsp/sida.jsp?d=118&a=40342&language=en_US&searchWords=utv%20annual%20report

3. Research and Knowledge Management

Table 4-9. Basic Facts About Sweden's Research Structure

Dedicated research department?	No*	Dedicated research budget?	No
Departments involved in research	Research Secretariat in Policy Pillar, Research Council, Sector and Country Departments	Dedicated researchers within MFA?	No
Research strategy?	No	Important publications	N/A

* SIDA has a Research Secretariat which is responsible for managing research appropriations and the Research Council, but research is not undertaken within the department.

The Research Secretariat, situated within the Policy pillar is responsible for a strong and coherent development of expertise, knowledge and capacity regarding research issues. This secretariat is responsible for support to development research in Sweden, and for support to international research programmes on the global level. The secretariat is also charged with the overall responsibility for SIDA's appropriations for research projects which, at the country and regional level, is delegated to Operations.

The Research Secretariat is responsible for the government appointed Research Council. In support of its work the Council has six scientific reference groups which cover the following fields:

- Humanities, education and culture
- Health
- Natural resources and the environment
- Science, technology and industrialisation
- Economics-related social sciences
- Democracy and human rights

These reference groups are pools of expertise in each thematic area. They direct funds to research projects and post-graduate students. Support for guest research fellows, post doctorate support and institution support is also considered.

However only a relatively small amount of SIDA's appropriations for research cooperation (approximately 10%) is allocated to development research in Sweden. The emphasis of these funds is on developing partnerships to ensure that the research needs of SIDA and the development community at large are responded to by expert organisations. There are two

strong environmental help desks based in academia; similarly there is a gender help desk, both of which can be called upon by country offices when needed. The Asia and Africa departments have long-term contracts with Departments of Economics at Swedish Universities for country specific economic analysis. There are also long-standing relationships with the Institute of Development Studies (IDS) at the University of Sussex in the UK, and with the UN University WIDER in Helsinki.

The majority of appropriations (approximately two-thirds) however are allocated to cooperation with developing countries, primarily to develop national research capacity, and to regional support and special programmes, with the aim of stimulating cooperation between the participating countries in research areas of common interest. A further 25% of funds are allocated to international research programmes.