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DEVELOPMENT CO-OPERATION DIRECTORATE  
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DAC Delegates and Observers

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### Sweden Mid-term Review, 9<sup>th</sup> December 2015, Stockholm

On 9th December I visited Sweden to conduct its mid-term review, accompanied by Kerri Elgar of DCD. I would like to thank Mrs Ulrika Modéer, State Secretary for International Development Cooperation, Directors' General for International Development Cecilia Björner (incoming) and Ruth Jacoby (outgoing), and Head of the Department for Aid Management Mrs Anna Hammargren, for an excellent programme of meetings and discussions. We met senior staff from the Ministry for Foreign Affairs (MFA) and the Swedish International Development Cooperation Agency (Sida), as well as representatives of Swedish civil society organisations, who shared views on how Sweden is progressing with the 2013 DAC peer review recommendations.

Overall, I found that Sweden has taken the Committee's recommendations seriously and has made considerable progress against them, although some challenges remain.

While the main objective of the mid-term review was to focus on the implementation of the DAC's recommendations, we also took into account changes in the national and international context for Sweden's development co-operation since 2013. These include:

- Sweden's role as a long-standing advocate of the 2030 Agenda for Sustainable Development and its efforts to improve policy coherence for development within the EU;
- the new Government's approach to international development, which includes a stronger focus on partner consultation, tackling climate change and environmental degradation, promoting peacebuilding and statebuilding, strengthening gender equality and actively pursuing a Feminist Foreign Policy; and
- the current refugee crisis and the challenges it has presented for Sweden's development co-operation.

#### **A global leader**

Sweden continues to be one of the most generous donors in the DAC and the Government is committed to allocating 1% of its gross national income (GNI) to official development assistance (ODA). This commitment is based on solid public and political support, with seven out of eight political parties in the Parliament agreeing on the 1% goal, slightly down from the full cross-policy commitment cited in the 2013 peer review.

Sweden is actively involved in shaping the development agenda at the global level. In addition to promoting the 2030 Agenda for Sustainable Development, Sweden takes a leading role on multilateral financing issues and is at the forefront of efforts to strengthen links between humanitarian assistance and long-term development co-operation. Foreign Minister Margot Wallström is a member of the UN Secretary-General's High-Level Panel on Humanitarian Financing, while Minister for International Development Co-operation Isabella Lövin serves as Co-Chair of the International Dialogue on Peacebuilding and Statebuilding. With other influential donors, Sweden is seeking a renewed commitment to the principles of effective development co-operation for the 2030 agenda, including stronger emphasis on inclusive partnership and strengthening of national systems and institutions.

#### **A complex policy framework: the challenge of being at the vanguard of Agenda 2030**

The 2013 DAC peer review urged the Swedish Government to consolidate policies on development, to improve transparency around work on policy coherence for development (PCD), and to provide a clear hierarchy of

policies. The release of Sweden's Aid Policy Framework in March 2014 represented a critical step forward in establishing a coherent framework for Sweden's development co-operation, consolidating thematic policies in one central document and setting out aid policy objectives in relation to the overarching Policy for Global Development (2003), which provides a legislative basis for Sweden's work on policy coherence for development.

Following its election in October 2014, Sweden's new Coalition Government announced a relaunch of the Policy for Global Development to take account of Agenda 2030. Three priority areas were highlighted as a focus for the policy: capital flight and tax evasion, sustainable energy and corporate social responsibility. Each ministry is now developing action plans to implement the Sustainable Development Goals and improve working methods for determining policy trade-offs. Concurrently, the Government has initiated an update of the Aid Policy Framework to take account of the new global goals, Addis Ababa Action Agenda, COP 21 and Sweden's new Feminist Foreign Policy. Sweden's Parliament will consider the new framework and its revised sectoral policies in June 2016, along with ministries' action plans for the 2030 Agenda.

I welcomed this impressive commitment to Agenda 2030, acknowledging that Sweden had taken on a huge task as a global leader in this area. At the same time, I questioned the capacity and resources required to conduct and deliver so many policies and strategies simultaneously, particularly given the 2013 DAC review's finding that MFA and Sida would benefit from a period of consolidation following adoption of the current Aid Policy Framework. On this point, I was assured that the fundamental structure, format and processes outlined in the framework would remain stable and that a government communication to the Parliament was in progress. Sweden's civil society partners gave positive feedback on the level of consultation around these reviews, while noting that further consultation was required with partner country governments and civil society.

#### **At the forefront of the global refugee crisis**

Along with Germany, Sweden is one of the main European destinations for refugees, receiving more than 150,000 asylum seeker applications in 2015. Sweden's share of in-donor refugee costs reported as ODA has increased steadily over recent years (from 8.7% in 2011 to an estimated 17% in 2014), prompting the DAC's 2013 peer review recommendation that Sweden monitor these costs more closely and better explain how they are calculated. Sweden has since made considerable efforts on improving transparency around these costs. In late 2015, in order to mitigate impacts on Sweden's aid flows to developing countries, the Government negotiated to cap refugee costs at 30% of the ODA budget for 2016. In-donor refugee costs reported as ODA may still exceed this level but this will not reduce the ODA budget allocated to traditional development co-operation (around 0.7% of GNI). Preliminary estimates show in-donor refugee costs are likely to make up 22% of Sweden's total ODA budget in 2015.

I acknowledged the significant challenge that Sweden is facing on this issue domestically, along with the Government's efforts to maintain its current aid commitments. I was encouraged to learn that the flexibility built into Sweden's aid budget means that Sweden is expecting to absorb the impacts of increased refugee costs with little or no impact on current commitments. As such, the 30% cap should be seen as a temporary measure to be managed without impacting on aid predictability with partner countries – an area where Sweden has a particularly strong reputation to protect. Going forward, and in the context of the implementation of the 2030 agenda, it will be important for Sweden to reflect further on the role of ODA in addressing the global refugee and migration crises and how it can best contribute to (and protect) the main objective of ODA – the promotion of the economic development and the welfare of developing countries.

#### **Moving further on country ownership, but also developing new instruments with non-state actors**

Sweden has made significant progress on the DAC's recommendations to improve its development co-operation delivery and partnerships, with more emphasis on inclusive consultation with national governments and implementation partners. The Government has announced plans to sharpen the focus on ownership and alignment in the updated aid policy framework. However progress is less clear on the recommendation that

Sweden makes better use of partner country systems and increases the share of aid delivered through programme-based approaches. In 2014, Sida recorded a further decrease in programme-based approaches, which it attributed to an increase in partnerships with non-state actors including multilateral organisations and the private sector, as well as less budget support linked to reducing the risks of development co-operation. The new Government will now require a sharper focus on programme-based approaches and use of country systems. Sweden's commitment to the New Deal for Engagement in Fragile States is also expected to have a positive impact on this commitment. Results of this shift are still too early to determine, but recent data show this downward trend may have been reversed.

While encouraging this focus on national systems, the 2013 review observed Sweden's increasing engagement with the private sector and non-state actors, applauding development of new partnerships and instruments to suit specific country contexts and situations. An increasing focus on national systems should therefore not discourage Sweden from exploring more innovative approaches in line with Agenda 2030 and the global goals. For example, we welcomed Sida's pilot on results-based approaches through country systems and its work on new private sector instruments, including guarantees and loans. An ongoing evaluation by the Swedish Agency of Public Management on use of non-state instruments, together with Sweden's participation in the DAC's private sector peer learning exercise, are expected to assist in these efforts.

#### **Allocating multilateral and bilateral aid: support for core funding and increasing levels of multi-bi aid**

Swedish government policy has long focussed on supporting the poorest countries, particularly those in Sub-Saharan Africa. The most recent statistical data shows that in 2013-2014, 28% of total ODA was allocated to least developed countries (LDCs). This was below the DAC average of 32%. However, 58% of Sweden's total ODA is not allocated by specified recipient country. Excluding these unspecified amounts, more than half of Sweden's total ODA goes to LDCs. We welcomed this fact. In regards to the DAC's recommendation that Sweden should maintain efforts to concentrate on fewer countries and sectors, we noted that the current number of partner countries remains unchanged since 2007, at 34 countries. Rather than reducing country numbers further, Sweden is concentrating on improving in-country co-ordination of its development assistance.

On multilateral allocations, Sweden's allocation of core contributions to multilateral organisations stood at 32% of total ODA in 2013, well above the DAC average of 27%. For a number of organisations, including the UN refugee agency (UNHCR), UN Population Fund (UNFPA), and UN Women, Sweden is now the leading core donor. For many others facing a steady decline in core funding, Sweden is among the top five contributors. While welcoming Sweden's leadership in this area, I agreed that the current erosion of core support could impact negatively on the multilateral system's ability to take forward Agenda 2030 and that, unlike earmarked support, core support enables flexible responses and long-term planning.

In addition to high levels of core support for multilateral organisations, Sweden provides increasing levels of multi-bi aid (bilateral aid channelled through multilateral organisations). In 2013, multi-bi aid comprised 17% of Sweden's ODA, while 2014 data puts Sweden's multi-bi aid at 19.2% of total ODA. Over the same period, Sweden's multi-bi also increased as a share of bilateral aid, from 33.4% in 2013 to 39.5% in 2014. In its review, the DAC noted these increasing levels of multi-bi, recommending that Sweden's bilateral support for both state and non-state actors be reported to partner countries. It is expected that the alignment of Sida's organisational management to the geographical function of MFA, which is responsible for core multilateral organisations, will assist in these efforts. At the same time, the Government is reviewing whether Sweden's high levels of multi-bi aid can continue to be justified.

### **Humanitarian assistance: Sweden continues its strong performance**

Sweden is an increasingly important player in the international humanitarian arena – both in terms of its ongoing financial and policy contribution, as well as in new efforts to improve the links between humanitarian and development work. I congratulated Sweden on its success in implementing the DAC’s recommendations on humanitarian assistance, in particular speeding up disbursements to humanitarian partners and improving communication on administrative requirements. Sweden has taken a number of concrete steps to assist staff to take account of a rapidly changing international environment by better integrating humanitarian crisis management and disaster risk reduction into country co-operation strategies.

### **Results and accountability of Sweden’s development co-operation**

In 2013, the DAC warmly welcomed Sweden’s results-based management culture, recommending that Sida and the MFA build on these achievements by ensuring a balanced approach to risk when setting objectives, allocating sufficient resources for monitoring results, and strengthening the links between the programme-level and decision-making processes. Sweden appears to be making good progress in all these areas. Sida has strengthened its ability to analyse risk and has introduced aggregate reporting procedures to improve links between programme results and broader objectives, while working to ensure that the focus on risk management does not stifle innovation. However, further work is required to improve consultation on bilateral results strategies, streamlining administrative requirements and removing non-value adding processes for national governments and civil society partners. In particular, Swedish civil society expressed concern that Sweden’s heavy risk management requirements resulted in risk being transferred to national-level partners.

In the past, the DAC has also observed Sweden’s struggle to deliver quality independent, strategic and policy-oriented evaluations. The establishment of a new evaluation committee in 2013, the Expert Group for Aid Studies (EBA), aimed to help address this concern. However Sweden’s Government is currently considering how the EBA could strengthen the use of its evaluation to improve opportunities for learning within the MFA and Sida. As this reflection proceeds, I suggested it would be useful to think more about how to define success in evaluation across the MFA, Sida and the EBA to ensure knowledge is used as a tool for decision-making.

### **Conclusion**

This mid-term review of Sweden’s development co-operation confirmed my impression that, despite some challenges in the current context, Sweden is making good progress on the recommendations of the DAC’s 2013 review. Maintaining its 1% target and continuing its role as a key lobbyist in international fora for more effective aid will continue to offer powerful opportunities for Sweden to drive the global development agenda further.

Finally, I wish to thank Mrs Tove Skagerwall of the Department of Aid Management at the Ministry for Foreign Affairs, numerous other colleagues from across the administration, and the respective chairs of each session for facilitating a most productive and enjoyable day of discussions in Stockholm.

*Sincerely,*



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