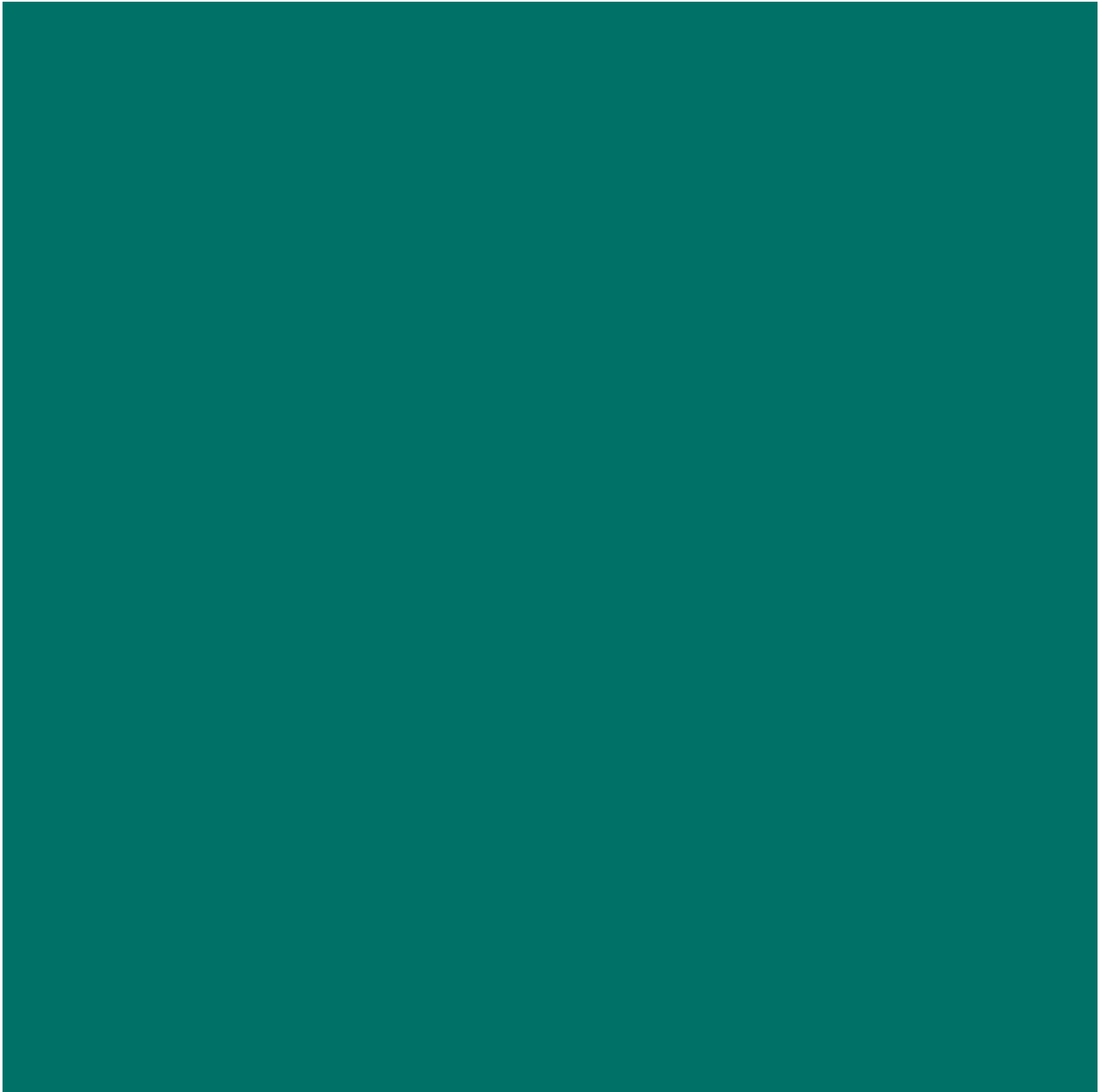


Questions and Answers on Programme Based Approaches



Foreword

The Department for Policy and Methodology within Sida (POM) is responsible for leading and coordinating Sida's work on policy and methodological development and for providing support and advice to the field organisation and Sida's departments on policy and methodological issues relating to development cooperation. It links together analysis, methodological development, internal competence and capacity development and advisory support.

The department undertakes analyses and serves as a source of knowledge on issues pertaining to poverty and its causes.

Learning and exchanges of experiences and knowledge are essential to all aspects of development cooperation. This series of Working Papers aims to serve as an instrument for dissemination of knowledge and opinions and for fostering discussion.

This paper deals with frequently asked questions relating to general budget support and sector budget support.

It illustrates how these modalities of financing of poverty reduction strategies at the national and/or sectoral levels, form part of a wider international agenda for aid effectiveness.

The answers also show that development cooperation is in a process of change in which established work practices are changed. This is a learning process for all parties concerned in which concepts, definitions and modalities of support are developed and changed. POM will continue its efforts to systematise and draw conclusions from international and Sida's own experiences.

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Questions and Answers on Programme Based Approaches

The Paris Declaration on Aid Effectiveness, 2005 implies i.a. that the proportion given as coordinated programme support should increase. A number of questions recur in this process. These entail not only conditions of financing but a whole range of other issues that relate to the process of cooperation between internal and external actors that take part in it.

Some of the answers can be found in different policy and other documents. The following three documents provide the current framework for Sida's participation in and support to Programme Based Approaches, PBAs. They are: (1) Sida at Work, 2005 (see annex in Manual on Contribution in particular) (2) Guidelines for Cooperation Strategies, 2005, Ministry for Foreign Affairs, Appendix 2, Clarification of guidelines on the assessment and management of budget support for poverty reduction, and (3) Sida's Policy for Sector Programme Support and Provisional Guidelines, 2000.

This paper brings together answers to frequently asked questions which are not always answered in the documents listed above.

1. What is meant by Programme Based Approaches?

The concept of Programme Based Approach, PBA has gained international acceptance, including in the Paris Declaration. It has been used more and more to denote: 1) A programmatic or system wide approach to national planning and reform work 2) The process of cooperation associated with it, including a framework for the cooperation c) The modalities of external support associated with this form of cooperation.

The concept has been developed within an informal Learning Network on Programme Based Approaches, LENPA in which the main multilateral and bilateral organisations take part.

According to LENPA, "A PBA is a way of engaging in development cooperation based on the principle of coordinated support for a locally owned program of development." (Program Based Approaches in Asia, LENPA Forum, Tokyo, Draft, Febr 2004).

It should be noted that different definitions and perceptions exist. This definition has the merit of making an important distinction between three dimensions i.e. the programme of the cooperation partner, the modalities for external support and the process of cooperation associated with it.

2. What is a Sector Wide Approach?

The term Sector Wide Approach, SWAP has also gained ground internationally as one category under the broader concept of Programme Based Approach, PBA. The same distinctions as above are made by some agencies at the sectoral level. This is reflected i.a. in the EU definition. “The sector Approach is defined as a way of working together between government and development partners ...It involves progressive development of a comprehensive and coherent sector policy and strategy, of a unified public expenditure framework... and of a common management, planning and reporting framework.” This definition implies a coherent approach to national planning and implementation of a national programme and the process of cooperation i.e. of a SWAP as “a way of working together”.

In contrast the modality for external support is called “The Sector Policy Support Programme.” (EC Support for Sector Programmes at-a-glance. Brussels, September 2004).

Hence, the term Sector Wide Approach, SWAP is used more and more to include a comprehensive approach to national planning, a new partnership and a new way of working together in support of it. Usually the concept also includes the modalities of external support.

3. And what about Sidas definition?

The same distinction is made in Sidas policy for Sector Programme Support. The term Sector Programme Support, SPS refers to the modalities of Sida support to a programme and a process marked by the features of a Sector Wide Approach, SWAP as referred to above.

Sida’s distinction between a sector programme and a sector programme support follows the more general logic in Sida at Work which is to make a clear distinction between the “project/programme” as belonging to the cooperation partner and the “contribution” which refers to Sida’s support to the project/programme.

4. What modalities exist for external support to Programme Based Approaches?

Other donors, like the EU and the World Bank have developed new modalities that on the one hand are intended to be more flexible than the criteria and procedures that traditionally have been used for projects and of earlier support to structural adjustment programmes. These new modalities are sometimes called “instruments.” Essentially, they are intended for two types of situations.

The first category of instruments is intended to support overall national strategies for poverty reduction, the framework of which is codified in a national Poverty Reduction Strategy, PRS. General Budget Support is the main instrument.

In the case of the World Bank and IMF these instruments are (presently) called Poverty Reduction Support Credit (World Bank) and Poverty Reduction and Growth Facility (IMF). These forms of support originate from earlier generations of import support and/or balance of payment support. Over time the focus has shifted from meeting short term foreign exchange needs towards support to longer term support to the state budget and poverty reduction strategies.

The second category of instruments is intended to support developments within a sector or a policy area. These instruments may be called things like “Sector Investment Programme, SIP” (World Bank), Sector Policy Support Programme, SPSP (EU) or Sector Programme Support, SPS (Sida).

Work is going on in most agencies to develop instruments or modalities of support to different Programme Based Approaches. This area is a moving target. Watch out for new instruments and new acronyms.

5. And what about Sweden and Sida?

Sweden has two different modalities or instruments intended to support Sida's participation in different Programme Based Approaches. They are called General Budget Support for Poverty Reduction, GBS and Sector Programme Support, SPS as above.

The first is an outflow of previous generations of import support and balance of payment support. The perspective and aim has always been to support national economic reforms and in later years, broader national strategies for poverty reduction.

Sector Programme Support is used to support sectoral plans and programmes together with other donors.

Sector Programme Support is an outflow of previous generations of Sector Support, intended to support the development of a sector or policy area i.e the health sector, the water sector or a subsector such as basic education. The difference between earlier generations of sector support and present day Sector Programme Support lies in the degree of cooperation and harmonisation with other donors and in the funding arrangements. Sector support of the 1980's and 1990's could be given by Sida without cooperation with other donors. Also, it was usually targeted towards predefined and discrete activities or components. Sector Programme Support of today is invariably given in cooperation with others and is targeted towards a sector or a subsector rather than predefined activities.

The most common modality of financing is through a basket arrangement.

6. What is a basket arrangement?

The Paris agenda implies that more support should be given as budget support for the development of a national strategy for poverty reduction and/or for a sectoral strategy or programme. At the same time, the number of projects should be reduced.

It is a reality that many agencies, including Sida, have had difficulties to change the conditions of financing from support to predefined project activities towards a more open funding arrangement in support of a national or sectoral programme.

The compromise has been a basket arrangement which means that the donor funds are placed in a "basket", usually a special account with one of the participating donors or within the sector ministry. These funds are targeted towards the sector or programme as a whole but are accounted for separately. This is often seen as a temporary arrangement until conditions are such that external funds can be channelled through the national system for budgeting, accounting and auditing.

When this is happening, a basket arrangement will be replaced by something that may be labelled sector budget support.

So far, Sida has used the term Sector Budget Support to cover both sector budget support and basket funding. This has been confusing and continues to be for reasons given above.

7. Is there a difference then between general budget support, sector budget support, sector programme support and a basket?

They differ in that general budget support is directed towards a national strategy and sector budget support is directed towards sectoral or subsectoral strategies or programmes.

This means that performance in relation to general budget support is defined in relation to the different objectives of the national strategy. For sector budget support, results indicators are defined mainly in relation to the sectoral strategy or programme. Also, the dialogue is focussing on overall national objectives and on sectoral objectives respectively.

However, both forms of financing should be part of the national treasury system including the regular accounting system. Both general budget support and sector budget support are defined as non-earmarked financial support to the state budget of the partner country. What differs is the objective and hence, what is followed up and defined as results.

It is only the different basketed arrangements that do not rely on the regular payment and accounting system for disbursement and financial reporting. Also “baskets” may or may not be “on budget.”

In terms of process i.e. PBAs as a new way of working together, the different modalities of financing are very similar. Issues related to national ownership, cooperation, dialogue and coordination are very much the same.

In the Swedish context, criteria and procedures for decision making have been different for general budget support and sector budget support. The Swedish Government has taken decisions about general budget support based on proposals by Sida. Specific guidelines have applied. Decisions about sector programme support have been taken by Sida according to the general criteria that are specified in Sida at Work. There are many similarities but also some differences. The criteria used to assess general budget support focus on the overall national political, economic and social situation usually agreed in a Performance Assessment Framework. Support to a sector puts sectoral issues at the centre of the assessment and monitoring is based on the framework set out in the sector strategy.

Decisionmaking procedures for general budget support were changed in 2005. In April 2005, the Swedish government adopted new guidelines for Cooperation Strategies and these include guidelines for budget support. With these guidelines, budget support is fully integrated into the Cooperation Strategy process: Preconditions for budget support are to be made in the Cooperation Strategy. According to the new guidelines, Sida will take decisions also on general budget support as part of the cooperation strategy process.

Decisions about sector programme support will be taken by Sida as before. Both modalities will be assessed by the Project Committee.

8. What is the point of having these different modalities of support if they are very similar?

This question is being discussed between a group of donors within the Special Partnership for Africa, SPA and also within Sida. There are good arguments for but also against further harmonisation of the two instruments given the history of the two modalities of support. POM is working on this issue in cooperation with other donors. A decision can be expected during the first half of 2006.

9. How to mitigate the risks for misuse of funds and corruption under Programme Based Approaches?

This should be one of the key concerns in any such process.

Make a distinction between fiduciary risk i.e. the misuse of Swedish funds and Sidas commitment to combat corruption. Fiduciary risk is a more narrow concept and issue than corruption.

Historically, donors main concern has been to avoid misuse of external funds i.e. to mitigate fiduciary risk. This has been done mainly through separate arrangements and control mechanisms for the external funds. These have included separate accounts, separate reporting requirements and frequent use of Project Implementation Units, PIUs with external Technical Assistance in line positions. The basket arrangement discussed under question 7 above, is an outflow of this tradition.

In the short term it is possible to mitigate the misuse of funds through special arrangements and control mechanisms. This approach has worked for this purpose for as long as donors worked in a project mode. In a national perspective the result has in many cases been a fragmented financial management system, the control of which has relied on and been upheld more by different donor procedures than by an integrated national budget, accounting and auditing system. Accountability has been to the donors rather than to the poor in the country. Overall this may increase the risks for corruption, contrary to what was intended. This has also negatively affected the budget, undermining its capacity to play its role as the main instrument for resource allocation under democratic control.

When working within the framework of Programme Based Approaches, the focus should be on assessment and improvement of partner country systems. There are different ways to mitigate risks through performance frameworks as above, joint follow-up, capacity development and external audits.

This is in line with Sida's thinking on strategies to combat corruption. Experience has shown that a long term strategy to combat corruption has i.a. to be directed towards improvement and transparency of the existing financial management system of the country. The fight against corruption is a question of transparency and accountability through a democratic process in countries of cooperation. In the final analysis it is about giving voice to the poor.

It is in this light that the ongoing discussion about general budget support, sector budget support or basket funding, fiduciary risk and corruption should be seen.

The Paris agenda signals a shift from "donorship" to "ownership." The focus should be on the financial management systems of the country and overall on governance. Such support is both a precondition for and part of the shift from projects to a programme based approach.

That's why Sida has taken a special initiative to strengthen its capacity to support Public Financial Management reforms.

The practical difficulty that arises in each case is to make an assessment of the fiduciary risk and how this can be mitigated in the short term, while at the same time improving national systems in the longer term. Diagnosis, dialogue, clear progress indicators and reporting requirements are important parts of the process. However, the assessment is country and context specific and varies over time. It has not proven possible to establish a clear "bottomline" that is valid for all situations.

10. How can we make sure that Swedish funds are used as intended under Programme Based Approaches?

This whole set of issues are summarized in the Paris Declaration as "Managing for Results."

Formulation and follow up of a set of jointly agreed and limited number of indicators is a very important part of any such process. Poverty Reduction Strategy Papers should always include a framework that makes this possible. The same applies to programmes at the sectoral level. They should be directed towards outcomes rather than donor inputs. What this means in

practice is that the combined results of all inputs are measured. The other side of the coin is that it is not possible to say exactly how Sidas inputs have made a difference as compared to that of other actors. "Sida has participated in a joint effort towards the following goals and the results are the following."

11. What to do when results are not achieved?

This question touches upon the question of conditionality that has been a typical feature of general budget support. Historically, the IMF has formulated a number of macroeconomic conditions for budget support and disbursements have been made contingent upon progress in relation to these indicators. These have been known as "on-track, off-track situations." There has been a similar tradition of formal conditionalities within the World Bank both for projects and programmes. These conditionalities have also served as benchmarks for follow up and monitoring. The underlying assumption has been that there is a direct relationship between individual donor inputs and results.

The bilateral agencies have had different traditions and frameworks for dealing with conditionality.

The challenge and formula for a coordinated approach is captured by the Paris agenda as Management for Results. It is a call to all actors to agree on a set of indicators on how to measure results. This has been done in many countries and contexts, both at the national and sectoral levels.

The whole question and different traditions of conditionality is embedded in the concept of "management for....." There are different cultures within different agencies.

Generally speaking, the Paris declaration implies a shift of emphasis in two respects. The first is that focus should be on the combined results or outcome of all inputs and how these benefit the poor rather than on individual donor inputs. Also, there is consensus that a continuous dialogue about strategic questions of implementation is a better way to ensure that resources are used efficiently than detailed lists of conditions that have to be fulfilled before the next step is taken and disbursements are made. "Stop-go" or "on track-off track" approaches should be avoided. There is a bottom line in each situation when disbursements should be stopped but this bottom line can not be defined in a general way and for all possible future situations.

12. When can Sida be represented by other donors and/or represent them?

Programme Based Approaches build on the notion of complementarity i.e division of work between the donors. The technical term used is delegated cooperation or "silent partnership." There are general DAC guidelines and Sida is working with the Nordic Plus Group of donors to formulate more concrete guidelines and legal instruments. Meanwhile, Sida has issued a background paper on delegated cooperation as well as some legal instruments. For further details consult Sida at Work and the attached background paper.

13. What is Sida's policy in relation to Programme Based Approaches?

Sida should be an active partner and facilitate such processes. Sida should also strive to increase the proportion that is given as budget support. This is in line with the Paris Declaration on Aid Effectiveness and Swedish Government Policies.

There are clear indications that this happening in practice. During 2005 (up to October 2005) the Project Committee had assessed 21 proposals for general budget support and sector programme support, double that of two years ago. The total commitment made in support of PBAs amounted to SEK 3.2 billion.

List of references

1. Guidelines for General Budget Support (appendix 2 of Guidelines for Cooperation Strategies), Ministry for Foreign Affairs, UD 2005/24624/GU.
2. Sida's Policy for Sector Programme Support, 2000, Sida
3. Sida at Work, A Manual on Contribution Management, Annex 1
4. OECD/DAC, 2005, Harmonising Donor Practices for Effective Aid Delivery, Vol 2 on Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management.
5. OECD/DAC-High Level Forum, 2005, Paris Declaration on Aid Effectiveness.

Appendix 1:

Reference Document on Delegated Cooperation

This document brings together frameworks, definitions and issues related to Delegated Cooperation i.e. when one donor acts with authority on behalf of one or more other donors. It is intended as an input into ongoing efforts generally and in particular within the Nordic Plus group of donors to arrive at a common understanding, guidelines and legal instruments that can enhance this form of cooperation. The Nordic Plus Group of Donors has established a working group for this purpose. By bringing issues and experiences together it is also hoped that the document can serve as a reference document and provisional guide for Sida staff who are engaged in such cooperation with Sida as the active or the silent partner.

The international framework

This particular form of cooperation between donors has arisen in recent years within the wider international agenda for aid effectiveness, particularly as it relates to harmonisation among donors with a view to reducing transaction costs for partner countries. Hence, it is one form of cooperation among many others, so far with limited occurrence, compared to the wider efforts going on in many countries within the broader PRSP frameworks to improve cooperation and coordination and to develop new modalities of external support. This wider context is left aside in this document.

However, it should be noted that one chapter in DACs Guidelines on harmonisation (DAC.2003) is devoted to Delegated Cooperation. According to these guidelines, Delegated Cooperation occurs when “one donor (a lead donor) acts with authority on behalf of one or more other donors (the “delegating” donors or “silent partners).” (OECD/DAC *ibid.* p 89). The guidelines also contain a code of conduct for a lead donor and for a delegating donor.

Good practice relevant to this form of cooperation includes shared understanding of the objectives of the cooperation, consultation with the partner country and a strong call for simplicity. “Delegation arrangements should be as simple as possible.”

Sida's policy framework

Sida's policy for Sector Programme Support, (Sida.2000, p. 9) opens up for other donors acting on behalf of Sida. “Sida can choose to allocate resources in any of the above-mentioned manners (pooling and untied

resources to the state budget) and be a “silent partner in its support to a sector programme. This entails agreement with another donor agency to carry out assessments, participate in the dialogue and negotiations, and take on other identified actions such as monitoring and evaluation on behalf of Sida.”

Sida’s Action Plan on Harmonisation and Coordination (Decision no 40/03 dated 2003–06–25), notes that the (then) Government Bill on Global Development states that “opportunities to work through bilateral and multilateral donors (delegated cooperation) shall be exploited.” In an amendment to “Instruction for Sida” the Government makes it clear “In particular Sida shall

- use all opportunities to cooperate with other donor countries and international organizations in development cooperation
- in such cooperation with other donor countries and international organizations as referred to above, Sida may delegate to such partners to undertake preparations, implementation and follow up of Swedish support to programmes/projects and to take on such tasks on behalf of others.”

Hence there is a Swedish policy and an intended direction of change relating specifically to this form of cooperation. A decision by the Director General of Sida makes it clear that “Where Sidas internal regulations, policies and methods are not consistent with harmonisation efforts, they shall be changed.” (Letter on Harmonisation and Coordination dated 19th June 2004).

Definitions of Delegated Cooperation

Several definitions exist. The DAC-definition states that “Delegated cooperation occurs when one donor (a “lead donor”) acts with authority on behalf of one or more other donors (the “delegating” donors or “silent partners”). The level and form of delegation vary, ranging from responsibility for one element of the project cycle for a specific project (e.g.) a particular review to a complete sector programme or even country programme. Delegated cooperation can reduce transaction costs and enhance effectiveness through greater use of the comparative advantage of individual donors.” (DAC *ibid* p.89).

This definition is very open but also flexible in that it includes a variety of forms and levels of Delegated Cooperation. The key is that one donor “acts with authority on behalf of one or more other donors.”

The instruction to Sida talks about cooperation with bilateral and multilateral organizations. Understood in this broad sense, it could be argued that such a broad definition does not differ from other co-financing arrangements of the past. There are many such arrangements with multilateral and bilateral organizations.

The form of Delegated Cooperation dealt with in this document has some special characteristics.

It usually occurs within the framework of programme based approaches, when a group of donors come together jointly to support a national and/or sectoral programme for poverty reduction.

It should capitalize on the comparative advantages within this group of donors and the delegation should be made in a such a way that it strengthens and not undermines national ownership and capacity.

Unlike most other co-financing arrangements, it contains an idea of collegiality and mutual commitment. Sida may be the silent partner in one situation in return for being an active partner in another. It should

be a relationship based on trust rather than on contract and overhead costs should normally not be charged. Normally such delegated cooperation also includes channelling of funds through the donor to whom authority has been delegated.

Delegated Cooperation understood in this more narrow sense has so far been limited to a few like minded bilateral donors. It is these experiences that form the base for the issues listed towards the end of this document.

The rationale for Delegated Cooperation

Delegated Cooperation is a way of making development cooperation more effective if:

- it strengthens national ownership
- it reduces transaction costs for the partner country
- it uses the comparative advantage of the agency to which authority has been delegated. This may mean that one agency has stronger presence and knowledge of the country context, longer experience from working within a sector etc.

When Sida is the delegating or silent partner it is also expected that transaction costs for Sida will be reduced. When Sida is the lead donor its transaction costs may increase. Reducing transaction costs overall for donors may be the result but this should not be the prime motive. In an overall and long term perspective all partners should contribute (the idea of mutuality) and the total input for the each donor will be the same. Taken together however, the donor community can achieve more with less and with reduced transaction costs to partner countries.

The process of cooperation

Delegated Cooperation rests on the assumption that the partners in this relationship share some basic values, objectives and work practices. It is on this latter point that most questions have arisen so far. Some of these issues will be listed below. As a general principle however, it should be assumed that any arrangement must rest on a common platform of basic values and shared objectives but there must be flexibility when it comes to procedures and work practices. The question, as in all forms of partnerships is the degree of flexibility as far as decision making criteria, reporting and legal requirements are concerned.

One necessary step in the process is that the delegating partner makes an overall assessment of the capacity and procedures of the donor to whom authority to act is being delegated.

For Sida this assessment has been made by the Chief Controller. The assessment has included (1) overall policies, (2) objectives, (3) approaches (i.e. policies for Sector Programme Support) (4) assessment criteria and procedures relating to country strategies and to (5) project cycle management (contribution management in Sida's terminology) The assessment should be documented in a written report to the DG of Sida.

Based on such an assessment, Sida may decide to delegate both in respect of country cooperation and contributions to programmes or projects. In an extensive and long term relationship there is reason to revisit this assessment at regular intervals, say every three years.

Likewise, Sida must be prepared to be assessed in a similar way.

When no authority to channel Swedish funds is involved, for example when it has been agreed that another donor will represent Sida in the dialogue during the implementation phase, the assessment and the

decision to delegate or to take on delegation from another agency may be made by the Swedish Embassy and focus on correspondence between Sida's policies, objectives and modalities and those of the other donor(s). The assessment as well as the decision should be documented.

Once delegation of authority has been agreed it is assumed that the delegated partner can act on behalf of the delegating donor on all issues that have been agreed between the parties. The delegating partner should be silent, unless requested to participate by the delegated partner. This has proven difficult in practice and there may be situations when the delegating partner should be more active. What is important is that such active participation takes place at the initiative of the delegated or active partner.

It is important to note that delegation of authority does not mean delegation of responsibility for the overall results of the cooperation. In the final analysis, Sida will always be accountable to the Swedish Government for all aspects of its work. Authority to act on behalf of Sida can be delegated but the responsibility for the results can not be delegated.

Criteria for decision making about delegation of specific programmes of cooperation

Sida, like all other donors has established frameworks and specific criteria that should be considered in decisions about specific programmes of cooperation. Usually there is also a standard structure or format for the relevant documents. This framework is given in Sida at Work and in guidelines for country strategies.

Delegated cooperation rests on the assumption that there is reasonable correspondence between the objectives and procedures of the partners in a relationship of delegated cooperation. In principle, therefore, Sida should be flexible and prepared to accept the criteria, procedures and format of the documents used as a basis for decisions. The assessment above is there to ensure that such correspondence exists. In terms of substance, Sida forms an opinion about the assessment made by the delegated partner.

The question is rather if there are minimum requirements that have to be fulfilled. It should be important that these are made explicit.

The minimum set of requirements for Sida should include a) poverty focus including the perspective of the poor b) attention to the human rights perspective c) environmental assessment d) procurement rules and regulations. It is assumed that the delegated partner does not insist on tying procurement of goods and TA to its own country. Generally, the DAC guidelines on Procurement and the Joint Procurement Policy of the Nordic Plus Group of donors will apply.

If any of these aspects does not figure in the assessment made by the delegated partner, Sida has three options. It could:

- agree with the active partner to look into those aspects that are necessary for Sida's decision.
- make the environmental or other analyses itself.
- decide to make a complete assessment jointly with the active partner and agree on a delegated form of cooperation during the implementation phase.

This third alternative seems to be common in Sector Wide Approaches. In reality the different donors spend a long period preparing for a long term and joint support to the sector or to a reform programme within it. This occurs with varying degrees of involvement without

formal agreements. It is during this preparatory process that the appropriate division of labour and of roles are discussed and emerges between the different donors.

From the point of view of the decision maker within Sida, including the Project Committee these minimum requirements have to be met in Sida's own and internal assessment memos.

Another principle should be that there should be a proportional division of funds, for example 50–50 or 70–30. This proportion may vary but remains the same regardless of the rate of disbursements.

Implementation phase

The dialogue is central to programme based approaches. This is the main instrument during the implementation phase.

Delegated cooperation means that the “silent partner” should not get involved in the dialogue during implementation unless requested to do so by the active partner. There has to be a clear understanding of delegation as a right to represent the silent partner. The agreement between the partners may specify issues that should be given special attention during implementation. Experience shows that the challenge is not be active on behalf of another donor but to be silent.

Follow-up

The active partner is responsible for follow up in relation to the partner country/Ministry/Organisation. When Sida has delegated authority to another donor, it will follow up the process of implementation with this donor. As a rule, Sida should not participate in the follow up in the country of cooperation.

As a rule of thumb, there should be annual meetings between the donors who are involved in an arrangement of delegated cooperation. It is assumed that there are agreed criteria for success of the programme/project that is being supported. Sida's rating system is a useful tool that should be used in discussions about follow-up.

The report provided by the active partner should be the basis for the meeting. In addition the parties will pay special attention to the delegated partnership, the capacity of the active partner and issues related to the problem of “being silent.”

Normally an annual financial report shall be submitted. Generally therefore, delegation should not mean lack of transparency or possibility to carry out audits, but the annual follow up should be carried out in a spirit of mutual learning and donor harmonization rather than be a detailed check or audit. This may lead to an agreement between the parties about dialogue or other issues to be pursued by the delegated partner during the year to come.

The legal framework

Ideally, there will be two arrangements; one between the silent and the active donors and another between the active donor and the partner government (Ministry/Organisation). Some experience has been gained and there are standard agreements used by Sida that can be used as a model i.e. when Sida is the silent partner. When Sida is the active partner it will be up to the potentially silent partner to propose the contractual arrangement.

When funds are transferred to and through another donor, Sida has so far insisted that this arrangement and the commitment made should be confirmed in a bilateral agreement directly between the partner country and Sida.

When delegation occurs within the framework of a Sector Wide Approach with many donors involved, there is usually a Joint Financing Agreement/Memorandum of Understanding which all partners accept as the framework for the cooperation. The particular agreement pertaining to Delegated Cooperation should be in line with this Joint Financing Agreement/Memorandum of Understanding.

Work is ongoing within Sida and in the Nordic Plus Group of Donors to develop these different legal and other regulatory instruments.

Code of conduct

In the final analysis, all forms of delegation of authority are based on mutual trust. Therefore, the successful implementation of such arrangements are contingent upon a shared code of conduct and a set of legal and formal contractual arrangements.

The DAC guidelines referred to above contain a set of good practises, and a specific code of conduct (DAC.2003. Box 6.1 p. 92). Sida supports and should adhere to this code of conduct.

Division of responsibility within Sida

There is a need to systematise experience of this form of cooperation within Sida. The main responsibility rests with the Department for Policy and Methodology, POM. It also gives general advice particularly how this form of cooperation is or should be developed to fit into the international agenda on aid effectiveness.

The Legal Department, JUR has a similar advisory and supportive role in relation to the legal and other regulatory framework for Delegated Cooperation.

There is regular cooperation and exchange of experience between POM and JUR.

The relationship between the Regional Departments and the Sector Departments should be looked into further. A starting point could be that the Country Departments make an assessment about delegated cooperation at the level of national strategies and general budget support and that the Sector Departments decide about potential partners within a sector or a sector programme.

Decisions should be based on the assessment report as mentioned above.

Issues to be discussed

1. Delegated cooperation and concentration

In the international perspective, this form of cooperation is a way to do more with less. Transaction costs for partner countries should be reduced and silent donors can make a contribution without being active or even present in a country.

This opens up for Sida to do things through others in countries where Sweden is not represented or has very limited resources. There is nothing new in this. Co-financing arrangements with multilateral organizations have been used in such situations in the past. Delegated Cooperation with bilateral organizations as defined above opens yet another possibility for Sida. It should also be beneficial for the partner country.

From the point of view of concentration which is also high on Sida's agenda, it may be argued that Delegated Cooperation should not be used to spread Sida's resources even more than today.

Rather, the principle should be that Sida should work in a limited number of countries and sectors. Delegated Cooperation should be the

preferred option only when Sida is heavily involved with other donors in broad SWAP-processes.

There is a balance to be struck between these two viewpoints.

2. Delegated Cooperation, Sweden's and Sida's visibility

The international agenda for aid effectiveness, particularly the move from a project to a programme mode, reduces Sweden's visibility. If Sida strives to concentrate (see above) and at the same decides to be silent in countries with large Swedish inputs this will further reduce Sweden's visibility. This has been of concern to some donors but has not been discussed within Sida in relation to Delegated Cooperation so far. Is this a problem and if so, how can it be mitigated? One way could be that Sida takes on to be the active partner when it comes to capacity development efforts within broader programmes of cooperation which involve many donors. This is perhaps the most important aspect of complementarity where donor cooperation and coordination has not come very far.

3. Procurement and competition

Delegated Cooperation is a collegial type of arrangement. It is understood that it is not subject to tendering and formal competition and selection. It may be however that procurement is part of the programme that is supported by Sida when Sida has agreed to be the silent partner. If the active partner is a member of the EU, it can be assumed that both will work according to EU-rules. Is procurement in projects and programmes a special problem where non EU members are concerned or in any other way?

List of POM Working papers

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2005:3	PEFA Public Financial Management Performance Measurement Framework	SIDA4533en
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2005:5	Fattigdomsfokus i Sida-stödda program och projekt – en preliminär vägledning från POM	SIDA4616sv
2005:6	Poverty Reduction Strategies from an HIV/AIDS Perspective	SIDA4693en
2005:7	Questions and Answers on Programme Based Approaches	SIDA23295en

Halving poverty by 2015 is one of the greatest challenges of our time, requiring cooperation and sustainability. The partner countries are responsible for their own development. Sida provides resources and develops knowledge and expertise, making the world a richer place.



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