

Contract Financed Technical Cooperation

October 2002



SWEDISH INTERNATIONAL DEVELOPMENT
COOPERATION AGENCY

Department for Infrastructure and
Economic Cooperation

Swedish companies, institutions, consultants and government agencies play an important role in providing Swedish skills and expertise for the development of low and middle income countries. On behalf of the Swedish people, through the Swedish Parliament and the Government, Sida finances a great part of this development of know-how.

This booklet informs interested parties on the conditions which apply to participation in this programme. This information will be revised whenever necessary.

The information refers primarily to programmes which have the character of skills development and institution building.

The booklet has been compiled by Sida's Division for Technical Cooperation.

Table of Contents

Contract-Financed Technical Cooperation	5
Background	5
Which countries do we cooperate with?	5
Which projects can receive support?	6
Administrative procedures at Sida	6
1. <i>Acceptance and support in the partner country is essential</i>	6
2. <i>Sida's assessment</i>	7
3. <i>Identification of the Swedish party</i>	8
4. <i>Decisions and undertakings</i>	8
5. <i>What is required of a project contract</i>	9
6. <i>Reports</i>	10
7. <i>How does Sida pay?</i>	10
8. <i>What does cost-sharing involve?</i>	11
Consultant Trust Fund Programme.....	12
Appendix 1, Guidelines.....	13
Project Proposals For Contract-Financed Technical Cooperation.....	13

Contract-Financed Technical Cooperation

Background

The objective of contract-financed technical cooperation is to promote human resource development in low and middle income countries by supplying know-how in areas which are of strategic importance to the development of partner countries.

Projects under the contract-financed technical cooperation programme shall promote a greater exchange of skills and experience between Sweden and partner countries and encourage a wide range of Swedish organisations and institutions to participate in the programmes.

The cooperation shall focus on areas in which Swedish competitiveness and know-how are strong.

The Division for Technical Cooperation in the Department for Infrastructure and Economic Cooperation is responsible for the contract-financed technical cooperation programme.

Which countries do we cooperate with?

Each year Sida makes a decision in respect of those low and middle income countries outside the circle of the regular partner countries in which programmes of cooperation may take place.

Countries open for *new* projects of contract-financed technical cooperation during the year are listed in the enclosed list.

What are the main features of Sida's contract-financed technical cooperation programmes?

- *Human resource development:* Through programmes of contract-financed technical cooperation Sida contributes to various forms of human resource development for development purposes in strategically important areas in the partner countries.
- *Specific requests:* Sida's decisions to make contributions to projects are based on a concrete and specific request through a *central planning agency in the partner country*.
- *Swedish resources:* Contract-financed technical cooperation is based on Swedish know-how and Swedish experience which have proved to be competitive.
- *Contract-financing:* A Swedish party and a party in the partner country sign a contract for the implementation of a project, which is partly financed by Sida. The responsibility for the implementation of the project rests on the parties concerned. *Sida does not finance a contract, which is signed with a company in the partner country.*
- *Cost sharing:* Requirements in respect of cost sharing apply in all projects, i. e. the party in the partner country is responsible for parts of the contract costs, and at least the local costs.

- *Competence:* This form of cooperation, in which Sida is the financier and a non-implementing party, requires competent partners in cooperation who have the capacity to plan and implement projects and to make good use of experience gained.

Which projects can receive support?

The contract-financed technical cooperation programmes shall make it possible:

- for the partner countries to benefit from Swedish experience and Swedish competitive skills,
- for Swedish institutions, companies, government agencies and individual experts to participate in development work in the partner countries.

The projects shall be concrete, well defined, and achieve effects which can be sustained even after the cooperation partly financed by Sida has been concluded.

The projects shall refer to activities which are of strategic importance to development in the partner country, for example institutional and systems development. It shall be possible to spread the positive effects of projects over a wide area. Projects shall also be organised in such a way that the Swedish support can be phased out as quickly as possible.

Swedish support may not distort competition between companies in the partner countries. Sida does not, therefore, support activities which merely focus on one individual company.

Equipment is *not* normally financed by Sida. Sida does *not* finance procurement of vehicles. Equipment financed by Sida can only be included as a minor component for training purposes. Equipment shall, if possible, be procured in competition. The procurement procedure shall be documented.

Operation costs are not financed. One condition for Sida financing is that the party in the partner country has adequate financial resources to finance its own activities, including necessary administration.

Individual seminars are only financed in specially motivated exceptional cases, for example if a seminar concerns an issue or a target group given very strong priority by Sida, if it supplements or consolidates the effects of other Swedish projects in the area, or if it has a sustainable positive effect of its own.

Administrative procedures at Sida

1. Acceptance and support in the partner country is essential

Sida will only make an assessment of a project proposal if it is accepted and supported in the partner country and coordinated with any other relevant activities being conducted there.

A written request to Sida from the government agency in the partner country, which coordinates foreign support, meets this demand for acceptance and support.

The *partner* in the partner country is responsible for the contacts with its own coordination agency.

2. Sida's assessment

Sida provides support to projects which are implemented by the partner countries. The partner country owns the project, that is to be implemented with the support of Swedish know-how and experience.

In its assessments of projects Sida attaches special importance to the following:

- *Swedish development objectives:* Is the project in line with the goals for the Swedish development cooperation set by the Swedish Parliament as well as with Sida's action programmes, policy documents and guidelines?
- *Regional and Country Strategies:* Is the project in line with the regional and country strategies established by the Swedish Government?
- *Partner Competence:* Does the cooperating partner have sufficient competence and capacity to manage the project and ensure its sustainability?
- *Relevance:* Are the development problems in the country, which the project shall contribute to solve, clearly defined? How does the proposed project contribute to solving these problems?
- *Result-orientation:* Is the proposal based on clearly formulated goals and expected results?
- *Logical structure:* Is there a clear connection between problems, goals and the activities, which are to be implemented within the project?
- *Risks:* Does the proposal give a clear description of the risks, which can affect the implementation of the project and how these risks will be overcome?
- *Feasibility:* Is the suggested cooperating partner the most suitable for the implementation of the project? Is the division of roles and responsibilities between the participating parties specific and credible?
- *Sustainability:* Does the partner country take sufficient responsibility for the implementation of the project in order to ensure that its effects can be sustained also after it is finished?
- *Cost-efficiency:* Can the final result be achieved in another less costly way?

Guidelines for the content and design of a request are given in appendix 1.

The Swedish Government and Parliament have established the overall development objective for the Swedish development cooperation as to raise the standard of living of poor people in the world, *poverty alleviation*. Each project proposal should thus relate to this overall objective.

Furthermore, a project proposal should include an analysis of how it contributes to the development of *human rights and democracy*. The basis can be international conventions on human rights, which the country has ratified.

All Swedish development cooperation shall be mainstreamed by a *gender equality* perspective. The project proposals are required to account for how women and men participate in the planning and the implementation of the project and how the results of the proposed project are expected to affect women and men respectively.

Consideration shall also be given to the *environmental impact* of projects. Project proposals shall therefore describe anticipated positive or negative effects on the environment including effects on people's health. Both direct and indirect effects shall be taken into consideration.

3. Identification of the Swedish party

The client or purchaser of the service is always the contract party in the partner country. Sida's function is to act as an agent and financier.

Swedish partners are normally identified by competitive bidding. Sida can assist by suggesting suitable Swedish parties to the recipient, who will take the responsibility for carrying out the procurement procedures according to Sida's Guidelines for Procurement of Consulting Services.

A selection procedure shall satisfy two conditions:

- there shall be adequate competition, thus ensuring the best combination of performance and price which the market can offer,
- it shall give only Swedish suppliers the opportunity to submit tenders.

Direct procurements, i.e. procurements without competitive tendering, may be accepted in certain cases, for example when there is only one supplier in Sweden of the service requested.

In some cases the partner country has established contact with a Swedish party before contacting Sida. However, this does not necessarily mean that Sida will accept the party selected by the partner country without a tendering procedure.

Information on Sida-financed projects are published regularly (in Swedish) in Sida's newsletter "Globala Affärer". Further information on Globala Affärer can be found at www.globala.sida.se.

4. Decisions and undertakings

After making a decision to support a project, Sida enters into an *Agreement* on financing with the party in the partner country. The Swedish party is informed of Sida's decision in a so-called *undertaking to pay*. The agreement and the undertaking to pay stipulate Sida's undertakings and confirm that the project contract can be signed and come into effect. Sida has no obligations in respect of the contract which is signed by the implementing parties, apart from its written undertaking on financing.

The contract parties undertake to perform the work stated in the contract at the given price. Sida's undertaking concerns costs incurred up to a ceiling amount in accordance with the budget, which has been approved by Sida and attached to the contract. Sida does not finance any costs which deviate from the approved budget or the ceiling amount given in the agreement and the undertaking to pay respectively. Automatic index-based increases are not accepted.

5. What is required of a project contract?

Sida's support involves the financing of certain activities and their associated costs within the framework of a contract concluded by the Swedish and foreign parties (the consultant and the client). *Sida is thus not a party to the contract.*

The wording of the project contract is the responsibility of the partners in cooperation. The Swedish party/consultant is normally a company, institution, government agency or some other form of legal entity.

Before the contract is signed by the parties, it shall be approved by Sida. A copy of the signed contract shall also be sent to Sida.

A project contract has two main purposes:

- 1) To state the conditions of the cooperation project, including costs (the legal part)
- 2) To state the content of the cooperation project (the project document or terms of reference).

As a minimum requirement the project contract should contain, in one form or another, the following:

- *Clear specification of goals and results.* The contract should state what shall have been achieved at the end of the project. In cases of transfer of know-how and human resource development this can apply to what the client shall achieve after the project, as opposed to before the end of the project. Courses and similar forms of training shall always be evaluated by the participants after the end of the training programme.
- *Clear terms of reference/description of the scope of the work* with an attached work plan and time schedule.
- Information on the *resources* the Swedish party shall put into the project together with curricula vitae of experts or a clause in the contract which states that the client shall approve the experts proposed by the consultant in each individual case.
- *Specification of the obligations and liabilities* of the Swedish party and the client etc.
- *Reports.* Information on how and when reports shall be written and which types of reports shall be sent to the client.
- *Costs, financing and budget.* The liabilities of both the Swedish party and the local party/client. Any procurement by competitive tendering procedure within the contract shall be specified here.

- If *equipment* is included in the programme of cooperation financed by Sida, the contract shall clearly specify the conditions for a) the use of the equipment during the implementation of the project and b) the transfer of the equipment to the ownership of the partner country/client at the end of the project.
- When *training material* is produced by the Swedish party and this work is financed by Sida, the material may be used freely by the local party without any demands being made in respect of compensation for copyright.

6. Reports

Sida shall receive a copy of each report, which, under the contract, is a part of the Swedish party's obligations to the client in the partner country.

In addition, *Progress Reports* shall be attached to invoices and submitted to Sida if the project lasts up to one year. *Semi-annual Progress Reports* shall be submitted to Sida if the project lasts more than one year. The Progress Reports and Semi-annual Progress reports shall.

- account for activities carried out during the period
- comment upon deviations of project outcome and/or project cost related to the plan and suggest solutions to identified problems, if any
- be accompanied by a budget summary

The final report shall be prepared in co-operation between the client in the partner country and the Swedish consultant. It shall be written in the language agreed upon in the contract. The report shall compare the achieved results to the goals formulated in the project document/terms of reference. If any goals were not attained, the reasons shall be discussed. The final report shall always discuss the positive and negative lessons learned.

A financial report shall be attached to the final report. *An approval of the final report is a prerequisite for the final payment from Sida.*

7. How does Sida pay?

Sida's responsibility in respect of payments is stated in Sida's *Agreement* with the client in the partner country and *Undertaking to Pay* with the Swedish consultant. Sida's liability to pay is the ceiling amount given in the budget.

Sida shall effectuate payment of fees and reimbursable costs to the Swedish consultant in accordance with the stipulation in the contract. Each invoice must bear the sign of approval by the client in the partner country attached to the original invoice. Requested payment must be in accordance with the budget confirmed by Sida. Sida must confirm revisions of the budget.

Sida's terms of payment are 30 days from the date of receipt of the invoice, approved by the client in the partner country, and a cost summary. Sida reserves the right to withhold payment when there is a reason to believe that requested payment is in contravention to the terms and conditions of the contract between the parties or the terms and conditions for payment by Sida.

The final payment, of at least 10 per cent of the contract amount, will be effectuated only after Sida has approved the final report, which shall include a financial report.

The contract parties may agree on minor reallocations within each cost item (i.e. *within* the item “fees” or *within* the item “reimbursables”) - without prior approval by Sida if this increases the efficiency and effectiveness of the project. However, the parties should always inform Sida about this kind of adjustments through the Cost Summary form attached to the invoices. Any other deviation from the original budget shall be submitted to Sida for approval before it is affected.

The cooperation partners must inform Sida of any situation that may lead to a delay in completion of the project. It should be noted in particular that delays can prevent the fulfilment of project goals, for example local funding in the partner country may no longer be available. Therefore, Sida will investigate the situation before approving of changes in the time schedule or activity plan.

To facilitate the rapid processing of incoming invoices, the costs shall clearly and distinctly refer to the project activities within the contract concerned, and for each activity distinguish clearly between fees, reimbursables, equipment and contingencies.

Sida regularly makes audits of Swedish parties involved in programmes of development cooperation.

8. What does cost-sharing involve?

Sida applies the principle of cost-sharing. This means that the partner country and the local partner in cooperation bear part of the costs of the work which shall be done.

Sida's requirement that local costs shall normally be borne by the partner country has two aims. If the partner country assumes part of the responsibility for costs, it shows clearly that the project has strong support and high priority in the partner country. The requirement for cost-sharing also contributes to promote cost-consciousness in procurements.

Sida normally covers the following costs in Swedish currency:

- For *Swedish experts*: fees¹, cost of fares to and from the country (economy class, possibility of obtaining discounts shall always be investigated and utilised) and, in certain cases, per diem allowances in accordance with the Swedish government's foreign travel ordinance (meals included in hotels and programmes are deducted - 15% for breakfast and 35% for lunch and dinner respectively).

For *participants from the partner country* (in study programmes etc) *in Sweden*: hotel costs, meal allowances (year 2003 SEK 250 per day. Lunch or dinner, which are included in programmes or lodging are deducted with a maximum of SEK 80 or

¹ The fee rate include salary, social security charges, costs in respect of insurance, sickness, vacation pay, pension funds and similar payments as well as overhead charges including secretarial services and other administrative back-up services including consultations and supervision provided by the home office staff as well as the Consultant's profit and risk.

130 respectively) travel within Sweden and programme arrangements. The main rule is that costs of travel to and from Sweden shall be assumed by the local party. In certain cases exceptions may be made and grants made for travel expenses. The reason for approving travel grants must be stated in the project request.

Examples of local costs *which normally should be the obligation of the partner country* are local costs associated with the project and *the Swedish party's work in the country*. This is normally a case of office premises, local consultants, secretarial and interpreting/translation assistance, local travel in the country etc. Hotels and other forms of accommodation for Swedish experts shall normally be supplied by the local party without debiting costs to Sida. Exceptions can be granted by Sida, but these shall be motivated in connection with the project request.

Local costs, for example secretarial assistance, office space, local transport, housing, local consultants and access to computer equipment, shall be specified.

Consultant Trust Fund Programme

Sida also finances consultant trust funds in the following development banks and organisations:

- World Bank (IBRD)
- International Finance Corporation (IFC)
- Inter-American Development Bank (IDB)
- United Nations (UNDP)
- African Development Bank (AfDB)

Consultant trust funds make it possible for the banks to utilise Swedish expertise within the framework of their projects. The funds also make it easier for Swedish consultants to get to know the international organisations and to compete for contracts in their activities. The Swedish consultants are mainly contracted for sector studies, pre-studies, monitoring and evaluations of projects.

Applications for use of the trust funds shall be submitted directly to the institutions mentioned above.

Guidelines

Project Proposals for Contract-Financed Technical Cooperation

The aim of these Guide Lines is to present the *initial information* required by Sida to make an assessment of a project proposal for financing from the special funds available for Contract-Financed Technical Cooperation.

Sida prefers the project proposals presented in line with the following outline, when possible.

Project title

Please, formulate the title in such a way that the project purpose is clearly understood.

Summary of the Project (maximum 1/4 page)

Please, make a brief and comprehensive description of the project, problems to be solved and why the beneficiaries need the project.

Background (maximum 1 page)

- Sector information - description of the present situation
- Relevance of the project in relation to the national development programme
- How and by whom the proposed project was identified.
- Earlier received support from Sida. Size of the support, if any.
- Other donors' activities

Parties

- Brief information about the local party (the Client) including contact person, address, phone/fax No
- Information about earlier cooperation with the suggested Swedish party, if identified.

The Project

Please, describe the project in accordance with the following headings:

a) *Problem/s to be solved*

- Description of the problem(s) to be solved by the Project. Indicate both causes and consequences of the problem(s).

b) Overall Objective/s

- Describe concretely the development objectives of the Project. (Should answer the question “Why is the Project important?”)

c) Project Objective/s

The objective/s of the Project should be to remove the cause of the problem which has been identified. (Should answer the question “Why do the beneficiaries need the Project?”)

The objective/s should be: Indicators should specify:

- specific what? where? for whom?
- measurable how much?
- achievable how? were?
- relevant how?
- time bound when?

Specify sources of verification.

d) Target group/s

- Specify the sector/s involved, private/public, professional categories etc
- Specify the role of women and men in the project

e) Output(s)

- Specify the expected outputs and indicators for each output
- Specify the services and/or goods which the target groups will get access to.
- Indicate sources of verification.

f) Risks

- Describe external and internal risks, which can influence the project implementation and sustainability.
- Describe any possible “killing factor”, i.e. circumstances that would completely prevent the project implementation and, *if any, proposed activities to solve the problems.*
- Describe activities that would deal with the risks.

g) Project implementation

- Describe the activities which will be carried out.
- Describe managerial, organizational and administrative set up.
- Describe the responsibilities of parties involved.
- Gender activities shall be described.
- Activities for environmental protection shall be described.
- The time schedule for the implementation shall be presented.

Describe the logical link between activities and outputs as well as between outputs and objectives.

h) Plan for phasing out the foreign assistance and the Project's life thereafter

- Indicate factors which could delay or prevent the implementation of the project.

i) Financing

- Sida operates on the principle of *cost-sharing*, whereby the Client is expected to meet at least local costs incurred in the project. Depending on the country, the cooperating party and/or the sector the Client may also be expected to meet part of the foreign currency cost.
- Inform about other financing parties, if any, in the project and their contributions.

The proposed budget for the project should be presented to Sida in accordance with the following model:

<i>Type of costs</i>	<i>Foreign costs (currency)</i>	<i>Local costs (currency)</i>
Fees, foreign consultants	,000	*)
Reimbursable costs, foreign consultants	,000	-
Local costs, foreign consultants	-	,000
Local staff	-	,000
Other local costs	-	,000
Etc		
<i>TOTAL COSTS for the Project</i>	00,000	00,000

*) Contribution to fees is requested in some income generating sectors.

Total contribution by the Recipient
<i>Total amount requested from Sida</i>

The proposal shall be submitted to: Sida INEC/Division for Technical Coopera- tion S-105 25 STOCKHOM SWEDEN <i>TELEFAX: +46-8-24 92 90</i>



SWEDISH INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

S-105 25 Stockholm, Sweden

Tel: +46 (0)8-698 50 00. Fax: +46 (0)8-20 88 64

Homepage: <http://www.sida.se>