

Sida at Work

– A Manual on Contribution Management



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Table of Contents

Purpose and scope of the Manual	5
Introduction	5
Programmes/projects in relationship to contributions	5
Phases in contribution management	8
General guidelines on contribution management	10
Assessment criteria	11
Major developments that affect contribution management	12
References	13
 The Initial Preparation Phase	14
Purpose and formal aspects	14
Documents that trigger action	14
Formal registration	14
Tasks and roles during initial preparations	15
Immediate rejection	15
The planning of initial preparations	15
The application of Sida's assessment criteria during initial preparations	16
Considerations relating to the programme/project proposal	17
Considerations relating to the design of a possible Swedish contribution	18
Completing the initial preparation process	19
Products/documentation	19
References	20
 The In-depth Preparation Phase	22
Purpose and formal aspects	22
Documents that trigger action	22
Formal registration	22
Tasks and roles during in-depth preparations	23
The process of in-depth preparations	23
The role of the cooperation partner	24
Sida's role	25
The application of Sida's assessment criteria during in-depth preparations	27
Considerations relating to the programme/project proposal	27
Considerations relating to the design of a possible Swedish contribution	33
Products/documentation	34
References	34

 The Agreement Phase	36
Purpose and formal aspects	36
Duration of the Agreement Phase	36
Documents that trigger action	36
Formal registration	36
Tasks and roles during the agreement phase	37
The tasks and roles of the cooperation partner	37
The tasks and roles of Sida	37
Joint tasks and roles	37
The application of Sida's assessment criteria during the agreement phase	38
Sub-phase A: Conclusion of an agreement and starting-up	38
Sub-phase B: The continuous implementation stage	39
Sub-phase C: Completion of agreement	41
Products/documentation	42
Sub-phase A: Conclusion of an agreement and starting-up	42
Sub-phase B: Continuous implementation	42
Sub-phase C: Completion of agreement	42
References	43
  Retrospective Follow-up	44
Purpose and formal aspects	44
Documents that trigger action	44
Formal registration	44
Tasks and roles during retrospective follow-up	45
The application of Sida's assessment criteria during retrospective follow-up	45
Products/documentation	46
References	46
 Annex: Special considerations in certain aid modalities and cooperation forms during contribution management	47

Purpose and scope of the Manual

Introduction

Sida's Manual on Contribution Management serves to guide the work of Sida officials at the various stages of contribution management. The Manual is a part of Sida at Work, the main text of which provides principles, procedures and working methods for Swedish development cooperation.

The structure of the Manual is as follows:

1. The Introduction describes basic relationships, concepts and criteria that are essential to contribution management. Please refer to the main text of Sida at Work for further details on these aspects, as well as for guidance on the policies and approaches that must be applied by everyone who works for Sida. References to key documents are inserted after each chapter.
2. The remainder of the manual consists of four sections, each reflecting one stage of contribution management, viz. initial preparations; in-depth preparations; the agreement phase; and retrospective follow-up. The Manual is not intended to be read at a stretch, but to be read phase by phase, in accordance with what is currently needed.

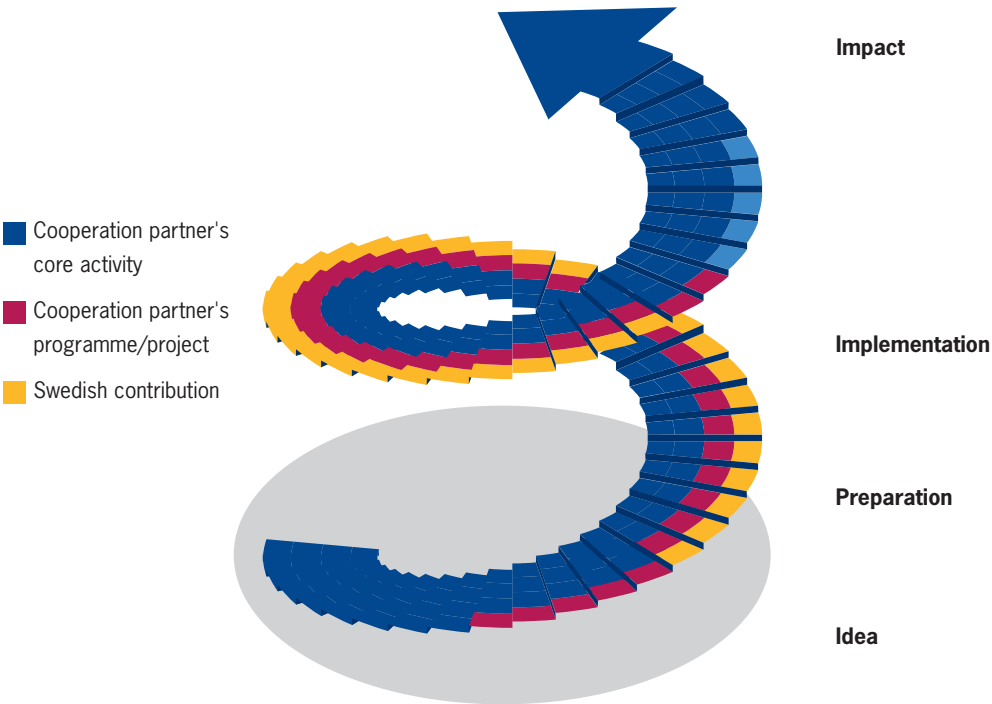
Note that the Manual should be read in combination with *Sida's regulation on contribution management*, which is compulsory and takes precedence over guidelines and instructions provided in this Manual. It is a requirement for all Sida staff to keep themselves informed on the latest version of this regulation.

Programmes/projects in relationship to contributions

Sida at Work distinguishes between *programmes/projects* and *contributions*. The cooperation partner is the owner of the programme/project and makes decisions relating to it. Similarly, Sida is the owner and decision-maker relating to Swedish contributions. Still, the partners mutually influence each other's activities through continuous dialogue and consultations.

Programmes/projects could be regarded as development-oriented extensions of core activities that are always undertaken by the cooperation partner. If, for example, the partner is a government the core activities would relate to areas such as education, health and infrastructure. Based on identified development needs, the cooperation partner formulates a programme/project to implement the necessary improvements or reforms. The partner will seek support from development partners if the improvements cannot be financed from the partner's own resources. External support could be directed towards qualitative reform of core activities, e.g. reform of the primary education system. It could also involve financing for quantitative improvements of core activities, e.g. the general intake to primary education – or be a combination of the two. A *programme/project proposal* could be presented to Sida and/or other development partners as a request for funding. Upon receiving such a request, Sida will assess it and, in the case of a positive assessment, prepare a *Swedish contribution* in support of the programme/project.

The figure below illustrates the relationship between *the cooperation partner's core activities*, (the dark and continuous segment of the arrow), *the programme/project* (the centre segment), and *the contribution* (the segment that appears at the edge of the spiral).



In this process, the delineation of responsibilities is distinct. The cooperation partner has the full responsibility for the planning and implementation of the *programme/project*, whereas Sida and other development partners have the responsibility of preparing and providing their *contributions* to the programme/project. Still, these separate responsibilities cannot be handled in isolation, but there should be close cooperation and dialogue between the cooperation partner and its development partner(s), since cooperation and dialogue are needed to ensure that identified needs are matched with well-suited contributions.

If Sida approves support to a programme/project, a *specific agreement* is concluded between the cooperation partner and Sida, in which the signatory partners' undertakings in relationship to the contribution are specified. In cases of contributions from several development partners, a supplementary *joint financing arrangement* (JFA) will frequently be signed to regulate the undertakings and contributions of all parties involved in the arrangement.

The interaction between different actors is described in greater detail in the chapter on 'Basic roles and approaches' in the main text of *Sida at Work*.

The main emphasis in preparations, implementation and completion should be on the programme/project, since this is the critical entity in terms of development impact. With regard to the Swedish contribution, the emphasis should be on its appropriateness in supporting goal achievement in the programme/project, as well as on efficient, correct and transparent utilisation of Swedish resources. In brief, it could be said that the assessment of the programme/project provides the information required for the design of the Swedish contribution.

In some cooperation forms, Sida does not primarily assess programmes/projects but rather intermediary organisations through which Sida channels its support. For example, this situation applies to support via Swedish non-governmental organisations (NGO:s) where Sida focuses on the intermediary organisations' capability to assess and monitor, rather than on the actual programmes/projects implemented by individual NGO:s.

Still, it should be noted that there is a high degree of uniformity across all cooperation forms, since *all* Swedish development cooperation aims at the same overall goal, viz. *to help create conditions that will enable poor people to improve their quality of life*. Furthermore, the same analytical framework, based on the perspectives of the poor and the rights perspective, forms the basis of all assessments relating to Swedish development cooperation. Finally, the central component elements according to the Swedish Policy for Global Development constitute necessary building blocks in the development of a society that intends to abolish poverty. The central ele-

ments for poverty reduction (as they will be referred to throughout the remainder of this text) are:

- 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

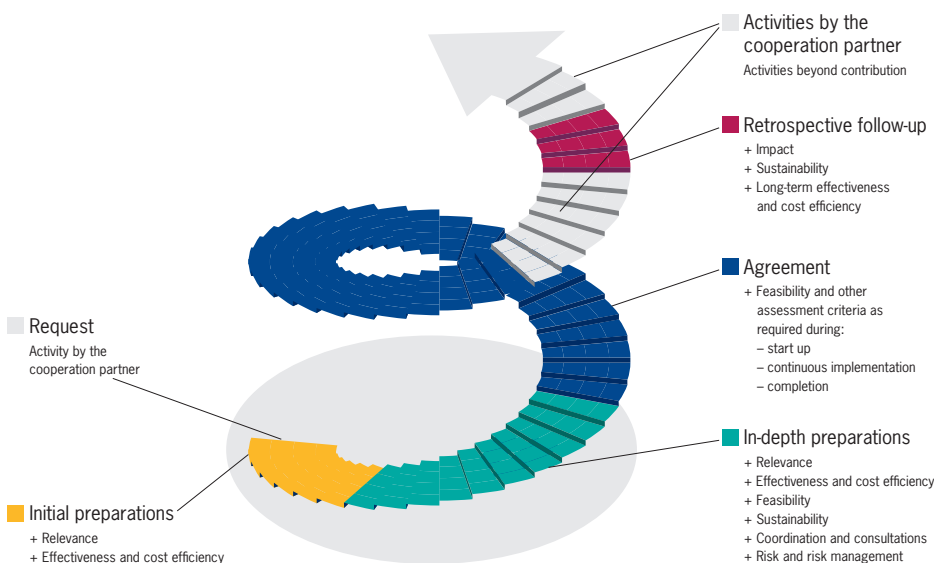
Phases in contribution management

The management of most Swedish contributions falls into three phases:

- The initial preparation phase (obligatory for contributions over MSEK 3 million with a planned agreement period of more than 24 months);
- The in-depth preparation phase; and
- The agreement phase.

In addition, Sida recognizes the need of a final step in contribution management, retrospective follow-up, which provides learning opportunities as well as information about long-term impact and sustainability.

Phases and assessment criteria in contribution management

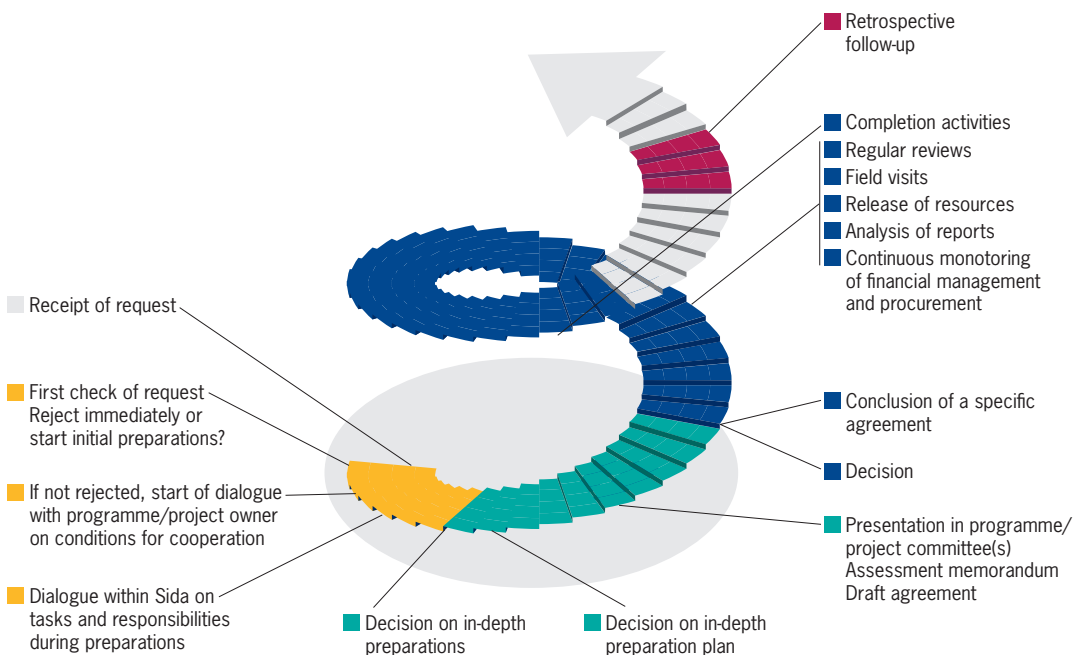


This Manual aims to provide a guide through the various phases of contribution management. It indicates the main purposes that should govern activities in each phase. It highlights the most important considerations and provides guidance on who should do what and when. Please refer to the main text of Sida at Work for further guidance on principles, procedures and working methods.

The different phases have distinct characteristics but are also closely interlinked. What is done in one phase will affect other phases. These linkages must be constantly kept in mind. Agreements, for example, are not only essential during implementation but are key aspects to consider as early as the initial preparation phase. This is so since early consideration and views on the type of cooperation (which has implications on the agreements) will determine aspects of the cooperation throughout the entire contribution cycle. Also evaluations should be planned during preparations, including the establishment of benchmarks and development of indicators.

Phases and major activities within contribution management are captured in the illustrations on this and the previous page.

Major activities in contribution management



General guidelines on contribution management

Contribution management must be flexible and adapted to the specific circumstances of each case. Always keep the following general guidelines in mind:

- **KEEP POVERTY REDUCTION IN FOCUS.** Emphasis on poverty reduction in Swedish development cooperation is clear-cut and should permeate all Sida operations. The overall goal, *‘to help create conditions that will enable poor people to improve their quality of life’* provides challenges that need to be addressed in all aspects of contribution management. This includes the application of the perspectives of the poor and a rights perspective as a basis for dialogue and the formulation of programmes/projects and Swedish contributions.
- **DO NOT FORGET LESSONS LEARNED.** Learning from earlier experiences has to be an integral part of all contribution management. This ability forms the core of a knowledge-based and learning organisation. Failure to learn will make our contributions less effective and goal fulfilment slower. Make good use of evaluations and reports, and talk to colleagues. Relate the information to your situation and context specific factors and make sound judgements.
- **BE SELECTIVE, BUT DOCUMENT WHY.** There are many expectations and demands placed on analysis, dialogue and action. This task easily becomes overwhelming unless efforts are concentrated to the issues that are of particular importance in a specific case and at a specific time. Thus it is vital to make priorities. Still, it is necessary to document why certain aspects/issues are given priority while others are not. Conditions will change over time and the documentation will be required in the regular reviews that will be made at later stages.

The time dimension can also be a reason for selectivity. In situations of urgency, e.g. in fragile states, a rapid response can be one important quality which should be taken into account during preparations.

- **CONSIDER ALTERNATIVE SOLUTIONS AND FOCUS ON OPPORTUNITIES.** Even if a proposed activity is adequate to deal with a specific problem, it is not necessarily the best solution. Do not only consider if the right action is being taken but also if it is done in the right way. In addition, development cooperation is about finding and using opportunities for positive change in situations hedged by limitations. Development efforts lose their potential if problems and constraints overshadow opportunities. Thus, focus should be on opportunities while problems and constraints should be continuously observed so that they do

not lead to unexpected setbacks. Also keep in mind that there are both direct and indirect effects. For example, adult education does not only increase literacy, but may also provide positive side effects such as contributions to environmentally sustainable development, gender equality, democracy and human rights. Side effects could be negative as well, for example if conflicts were created or exacerbated, albeit unintentionally, by development efforts.

Assessment criteria

Sida uses a number of assessment criteria to facilitate decision-making. These criteria relate to the Logical Framework Approach (LFA) methodology.

These assessment criteria are:

1. **RELEVANCE**, which assesses how appropriate a development strategy, or a specific programme/project, is in relation to the cooperation partner's and poor people's priorities and existing needs.
2. **EFFECTIVENESS AND COST EFFICIENCY**, which assesses
 - a) whether the set objectives of the programme/project are likely to be achieved; and
 - b) whether the implementation strategy is an appropriate and cost-efficient way of achieving the objectives under the prevailing circumstances and given possible alternatives.
3. **FEASIBILITY**, which assesses if the practical conditions exist for successful implementation of the programme/project and the Swedish contribution, respectively. Do the implementing parties have the required capacity, resources and will for successful implementation? Apart from these ownership aspects, assessments of the institutional environment for implementation come to the fore;
4. **SUSTAINABILITY**, which assesses if a supported development effort maintains its effects at a reasonable level after the cessation of external support (or the completion of the programme/project), in terms of impact on human, environmental, institutional and financial resources. Ownership issues at an impact level are addressed, including the influence that poor people exert during planning, implementation and follow-up;
5. **COORDINATION AND CONSULTATIONS**, which assesses strengths and weaknesses in the interaction between the cooperation partner, its national stakeholders and development partners, including Sida. Particular attention should be given to issues of ownership and control, for example how to arrange consultations without hampering the cooperation partner's internal management structures.

6. **RISKS AND RISK MANAGEMENT**, which assesses internal and/or external risks and proposes measures to avoid or reduce such risks.

These criteria form the foundation in Sida's assessments and should always be used in internal decision making. Still, they should be applied as required in the specific situation, which means that emphasis awarded to each of them will vary depending on the programme/project and the aid modality and cooperation form selected for the Swedish contribution. Some examples of the variations in emphasis and considerations that characterise the assessment of different aid modalities and cooperation forms are given in Annex.

A special case in point concerns support to countries in transition from war to peace, where special considerations must be given to the often very complex, fragile and insecure situations with extremely weak governments and civil societies. Increased external and internal risk factors that can impede implementation must sometimes be accepted. Preparations during a shorter time frame than a regular development programme/project must also be accepted – and can even be regarded as a necessary quality – due to the fragile environment and urgency of activities.

Major developments that affect contribution management

Two factors have become increasingly important in the daily activities of Sida staff, not least in contribution management. They are:

- The increased focus on poverty reduction; and
- The new international development agenda.

The implications of these developments are discussed extensively in the main text of Sida at Work, in particular in the chapter “Basic roles and approaches”. These developments are to influence all aspects of Sida's work and are reflected below in the questions and criteria that relate to each of the phases. Please, refer back to the main text to obtain a comprehensive picture of their significance.

References

- Sida at Work – A Guide to Principles, Procedures and Working Methods (Sida, 2005)
- Sida's regulation on Contribution Management

The Initial Preparation Phase

Purpose and formal aspects

The main purpose of initial preparations is to determine if a proposed programme/project is relevant, effective and cost efficient for poverty reduction, and hence whether Swedish support to a proposed programme/project should be considered or rejected. Please also refer to Initial Preparations in Sida's Regulation on contribution management, which stipulates that initial preparations are obligatory for all contributions over MSEK 3 million with a planned agreement period of more than 24 months.

Documents that trigger action

Initial preparations start when Sida receives a *request* or a *programme/project proposal*.

Formal registration

EDOC: registration as a case

PLUS: there are two cases:

- a) If in-depth preparations are considered, the potential contribution should be registered as 'indicative' (I) .
- b) If additional preparations are not considered, there will be no registration.

Immediate rejection

Immediate rejection applies in cases when requests fall outside possible areas of Swedish support as documented in cooperation strategies or otherwise. There might also be other reasons for immediate rejection, e.g. lack of funds. The formal processing of a matter of this type would involve:

- A brief review of the request to establish whether it falls outside possible areas of Swedish support or if there are other reasons for immediate rejection;
- The processing of a rejection letter in which the reasons for not providing support are given.

At times, requests are received in informal ways. When such requests obviously do not qualify for Swedish support they could be answered in the same way as they were proposed. However, notes for the record might be useful for future reference.

The planning of initial preparations

If there is no reason for immediate rejection, a process to assess the relevance, effectiveness and cost efficiency of the proposal should be initiated. Level of ambition and resource inputs should be adapted to each specific case.

The following points of departure should be considered in the planning process:

- What do we know? Identify what information is available, e.g. the request, relevant strategies and/or operational plans (the cooperation partner's as well as Sida's), general information on the sector/area, and any previous cooperation experience?
- What do we need to know? Review available information and prepare a tentative list of additional information that will be required. Special attention should be paid to information that is needed for an assessment of the potential poverty reduction impact of the proposal, in particular its expected contributions to the enhancement of opportunities for poor people?

Establishing what Sida needs to know is a crucial activity, since it sets the framework for 'doing the right things' (effectiveness) and 'doing things right' (cost efficiency), while keeping poverty reduction in focus. It is at this stage that the general considerations noted above are of particular importance, i.e.:

- Keep poverty reduction in focus
- Do not forget lessons learned

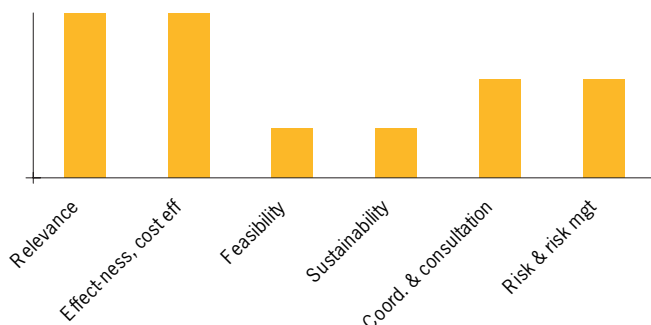
- Be selective, but document why
 - Consider alternatives and focus on opportunities
- How to obtain the necessary knowledge? When should the decision be completed? Make a deliberate choice on how to obtain the information required and include resources to carry out supplementary studies and/or capacity development.
 - Who should be involved in the initial preparation process? Estimate the inputs and degree of involvement required from i) different categories of staff within your unit; ii) other Sida units; iii) the applicant/cooperation partner; iv) possible other development partners and v) external resources and consultants. A workshop, lead by the applicant/cooperation partner might be required to clarify expectations, roles and responsibilities.

As stated in the main text of *Sida at Work*, the initial preparation period is the time for field offices with full delegation to *hold mandatory formal consultations* with the relevant sector department at Sida/Stockholm regarding major and/or complex contributions, as well as to seek guidance from headquarters to ensure that corporate policies, regulations, experience, etc. are taken into consideration. The results of these formal consultations with headquarters should be documented.

Please, refer to Sida's regulation on contribution management for further details on mandatory consultation.

The applicant and Sida units involved should be informed on the status of preparations.

The application of Sida's assessment criteria during initial preparations



Of Sida's assessment criteria, *relevance* and *effectiveness/cost efficiency* are predominant during initial preparations.

Considerations relating to the programme/project proposal

In Sida's assessment of the programme/project proposal, focus should be on:

1. The relevance of the programme/project.

Is the programme/project, as presented in the proposal, appropriate in relationship to existing needs, in particular “to help create conditions that will enable poor people to improve their quality of life”?

The main assessment of poverty analysis should be initiated at this stage. It should be adapted to the specific situation and cover what is needed to determine overall relevance. It may often need to be supplemented in detail during in-depth preparations.

An extensive discussion of the general principles for Sida's work with poverty analysis is given in the main text of *Sida at Work* under the section on Basic roles and approaches. Please, refer to the text on “Guiding principles for Sida's work with poverty analysis” to obtain guidance on the importance and substance of poverty analysis, links between analysis at the national, sector and programme/project level, the distinction between analyses and assessments and the delineation of responsibilities between the cooperation partners on the one hand, and Sida and other development partners on the other.

The key question that Sida must answer for every contribution is the following: *Is it likely that the input under consideration will help create conditions that promote sustainable poverty reduction in an effective and efficient manner? If so, what are the cause-effect relationships?* It is not mandatory to carry out a special poverty study or contextual analysis for each and every contribution, but in order to assess the relevance and effectiveness for poverty reduction, it is evident that Sida must possess a good understanding of the context, manifestations and causes of poverty in each specific situation.

For further details of the the assessment of poverty focus in individual programmes/projects, reference is made to the text under relevance in the chapter on In-depth Preparation Phase (pages 28–31). There examples are given on questions which should be raised during initial preparations and be sufficiently examined to determine overall relevance (i.e. sufficient for a decision whether to start in-depth preparations or not). The questions are not repeated here as the relevant issues will be further scrutinized during in-depth preparations and documented in the Assessment Memo.

2. Effectiveness and cost efficiency of the programme/project

These matters need to be handled early in the preparation process since basic solutions, once selected, are difficult to change at later stages. Issues to be assessed include:

- 2.1 Are proposed solutions likely to lead to goal achievement?
- 2.2 Are there alternative solutions that would be more effective in terms of impact and costs?
- 2.3 Is effectiveness in implementation likely, considering the will, power and capability of the implementing partners to carry out the programme/project a) in the interest of poor people and b) within a framework of good governance? The latter issues are preliminary observations on matters that will be dealt with in greater detail during in-depth preparations.

The other assessment criteria should be considered in the sense that special aspects for observation during in-depth preparations should be noted. This applies in particular to the criteria on i) consultations and coordination and ii) risks and risk management.

Considerations relating to the design of a possible Swedish contribution

In Sida's considerations of the design of a possible Swedish contribution, focus should be on:

1. The relevance of a possible Swedish contribution

Is the proposal within the priority areas for Swedish support? Is it sufficiently in line with Swedish guidelines, as expressed in relevant policies, strategies and/or operational plans? Issues to be assessed include:

- 1.1. How would a Swedish contribution to the programme/project contribute to poverty reduction and the achievement of the overall goal of Swedish development cooperation?
- 1.2. Are there special considerations and dialogue issues that should be stressed in order to increase the poverty reduction impact of a possible Swedish contribution?
- 1.3. Is there relevant experience of poverty reduction from previous Swedish support or that of other development partners?

2. Effectiveness and cost efficiency of a possible Swedish contribution

- 2.1 Are the implications of alignment and harmonisation fully reflected in the Swedish contribution being considered? Are there mechanisms for budget support and/or sector wide approaches through which the Swedish contribution could be channeled?
- 2.2 How should a Swedish contribution relate to inputs from the cooperation partner and other development partners? Would a Swedish contribution be most effective and cost efficient as part of a Joint Financing Arrangement (JFA) or as a coordinated but stand-alone contribution? How would different alternatives influence flexibility and resource requirements for Sida and the cooperation partner?

- 2.3 What aid modality, cooperation form and form of financing (grant/credit) should be selected from an effectiveness and cost efficiency point of view? What formal considerations should be noted in a future specific agreement?

Completing the initial preparation process

If initial preparation leads to a rejection, this should be documented and conveyed in a letter to the organisation who first proposed the input.

If the outcome of the initial preparation is positive this should be documented in an Initial Preparation Memo, providing a summarised opinion of the proposal. The memo should focus on:

- Observations regarding factors or aspects that require special attention in any continued preparations:
 - prioritisation among key dimensions of poverty/central elements for poverty reduction;
 - indicative capacity development needs in the planning and implementation of the programme/project;
 - indicative measures to enhance alignment and harmonisation of a possible Swedish contribution;
 - options regarding the design, size and form of a possible Swedish contribution, including a discussion of formal implications that should be reflected in a future specific agreement, for example special conditions or a recommendation to support the setting up of a Joint Financing Arrangement (JFA).
- Conclusions and proposals as regards continued preparations, including a preliminary in-depth preparation plan when applicable.

Products/documentation

The following products/documents are anticipated in initial preparations:

- Request, subsequent documentation and correspondence.
- Sida's decision whether to reject the proposal or approve in-depth preparations, based on a brief Initial Preparation Memo.
- If a continuation is proposed, a *preliminary in-depth preparation plan* should form part of the decision (see box at the end of this chapter for proposed outline).
- A letter to the applicant to convey Sida's decision.

References

- Sida at Work – A Guide to Principles, Procedures and Working Methods (Sida, 2005)
- Sida's regulation on Contribution management
- User Manual for Sida's Planning System PLUS (Sida, 2005)
- The Logical Framework Approach – A summary of the theory behind the LFA method (Sida, 2004)
- Sidas's Electronic Document Handling System, EDOC

Outline of an In-Depth Preparation Plan

Whenever applicable a preliminary In-Depth Preparation Plan should be prepared as part of the initial preparations and should be approved by the Head of the unit responsible and endorsed by other units concerned. The preliminary plan should be revised and replaced by a final plan at an early stage of the in-depth preparation phase, when additional information on the process and knowledge requirements is available.

1. *Background*
The process of obtaining a mandate for the in-depth preparation process
2. *Main hypothesis*
Main emphasis and type of support; level of ambition
Volume and time period
3. *Issues to be considered during in-depth preparations*
Selected issues that require special considerations during in-depth preparations
4. *Mode of work and delineation of responsibilities*
Provide an outline of the in-depth preparations
Resource requirements: who should be involved and how much?
Delineation of tasks and responsibilities, within Sida and with external partners
The need of external resources such as consultants
5. *Timetable*
Should be linked to the issues under 4 above
6. *Possible cost implications*
 - for travelling and in-house consultants
 - for stakeholder workshops
 - for studies and documentation
 - for external consultants and resource persons

General principles

- Each unit should establish when in-depth preparation plans should be prepared, based on the size and/or character of the contribution.
- The plan is to be approved by the head of the unit concerned.
- The cooperation partner need not be party to the in-depth preparation plan, but major joint tasks should be agreed upon with the partner during the preparation of the plan.
- The plan should be brief, preferably one but not more than four pages.
- A preliminary plan should be prepared during initial preparations and should be attached to the Initial Preparation Memo. A final plan should be prepared when in-depth preparations start.
- In cases where initial and in-depth preparations are merged, the plan should apply to the entire preparation process.

The In-depth Preparation Phase

Purpose and formal aspects

The main purpose of in-depth preparations is to assess a number of aspects of the proposal according to Sida's assessment criteria, to design a possible Swedish contribution and to produce the necessary documentation for Sida's decision whether to support a proposed programme/project or not. The decision should, if positive, include the volume, contents and format of the Swedish contribution. On request from the partner, Sida may provide support to the formulation of programmes/projects.

A second purpose, if Swedish support is to be considered, is to agree with the cooperation partner on a specific agreement, linked to a management document or Plan of Operations for the intended cooperation.

Please also refer to *In-depth Preparations* in Sida's Regulation on contribution management.

Documents that trigger action

Normally, the applicant's original request will be followed by additional documentation, e.g. elaborated programme/project documents and specialised studies. These documents will form the basis of dialogue and interaction between the cooperation partner, Sida and other stakeholders, including other development partners.

A final in-depth preparation plan is prepared when applicable – see the box under Initial Preparations above.

Formal registration

PLUS: registration as 'planned' (P).

The process of in-depth preparations

A) Initiating the process

The applicant/cooperation partner should be formally informed about Sida's decision to undertake in-depth preparations and the expected process ahead. In major and/or complex preparations, Sida might consider setting up an in-depth preparation task force. The task force would allow easy reference to several areas of competence and could consist of representatives of several Sida units as well as external expertise.

B) Planning in-depth preparations

Compared to initial preparations, in-depth preparations are more inclusive and require a high degree of interaction between the cooperation partner, Sida and possible other development partners. This is so since the in-depth preparations are to lead to concrete cooperation arrangements that are formalised in a specific agreement, whereas initial preparations mainly address overriding objectives and issues of principle and general design. These differences are reflected in the planning process for in-depth preparations. Even though the guiding questions remain the same as under initial preparations, the demands for detail and depth in answers will be greater. The trend towards alignment and harmonisation further underlines this point. Guiding questions in the planning process are:

- What do we know? Identify what information is available, e.g. the request, strategies and/or operational plans (the cooperation partner's, Sida's and those of possible other development partners), specific information on the sector/area, and any previous cooperation experience.
- What do we need to know? Review available information and prepare a tentative list of any additional information required. At the initial preparation stage, emphasis was on relevance and effectiveness/cost efficiency. During in-depth preparations, emphasis will shift to other assessment criteria as indicated in the following section. The need for new information should be adapted accordingly. The general considerations noted in the introduction remain crucial:
 - Keep poverty reduction in focus
 - Do not forget lessons learned
 - Be selective, but document why
 - Consider alternatives and focus on opportunities

- How to obtain the required knowledge and when should it be available? Prepare a joint plan with the cooperation partner on how and when to obtain the required information, including the roles and responsibilities of different actors. The plan should include allocations from Sida for the studies and capacity development that are required for the preparation process.
- Who should be involved in the in-depth preparations? Refine the preliminary preparation plan with regard to inputs and degree of involvement from i) different categories of staff within the unit concerned; ii) other Sida units; iii) the applicant/cooperation partner; iv) possible other development partners and v) external resources and consultants.
- When should the final decision be ready and what should be the timetable for intermediate steps leading to the final decision? An early workshop, lead by the applicant/cooperation partner, would be advantageous in reaching agreement on the joint way forward, including the identification of information gaps and clarifications of expectations, roles and responsibilities.
- Update needs for financial and human resources to carry out preparatory activities, including studies and capacity development activities.

The role of the cooperation partner

Being the owner of the programme/project, the cooperation partner is responsible for the design of the programme/project and should lead the preparatory work. As noted above, the delineation of tasks and responsibilities should be agreed with the partner at an early stage and be included in Sida's in-depth preparation plan. Some issues of particular importance in relationship to the cooperation partner include:

1. The link between the partner's overall poverty reduction policies, the programme/project and possible contributions from Sweden and other development partners. How mutually supportive are the different inputs in terms of objectives, approaches and administrative procedures? Apart from poverty reduction the issues at stake concern alignment and harmonisation.
2. Possible discrepancies in the general approach to poverty reduction. For example, the strong focus in Swedish policy on enabling *poor people* to improve their quality of life through individual or collective action may not be fully shared by all of Sida's cooperation partners. How should differences of this type be overcome and a joint approach agreed? Similar discrepancies could occur e.g. in

- the approach to environmental issues and issues relating to peace and security.
3. Similarly, expectations and requirements may differ when it comes to resource management and good governance. As part of the Paris Declaration, cooperation partners have committed themselves to improving resource management and transparency relating to both internal and external resources, but how do these procedures compare in practice to requirements relating to the use of Swedish public funds?
 4. Predictability and regularity in resource transfers are of great importance to the cooperation partner. What procedures could the partners agree on to protect the cooperation partner from interruptions in resource inflows as a result of events that may not be directly linked to the area of cooperation? These considerations become increasingly important as budget and sector programme support replaces project support which tends to be less easily affected by such events.

Sida's role

During in-depth preparations, Sida's main responsibilities are:

- 1) To assess the programme/project proposal and design the possible Swedish contribution, in relationship to:
 - 1.1. Poverty reduction needs and priorities, as expressed in the cooperation partner's poverty analyses and strategies, and in relation to the Swedish objective for poverty reduction (to the extent that such aspects remain from the initial preparation phase).
 - 1.2. Priorities for Swedish support, as reflected in strategies and operational plans.
 - 1.3. Overall Swedish policies and guidelines for development cooperation.

The assessment should not be narrowly restricted to the proposal but should be broad in approach and consider alternative arrangements and solutions.

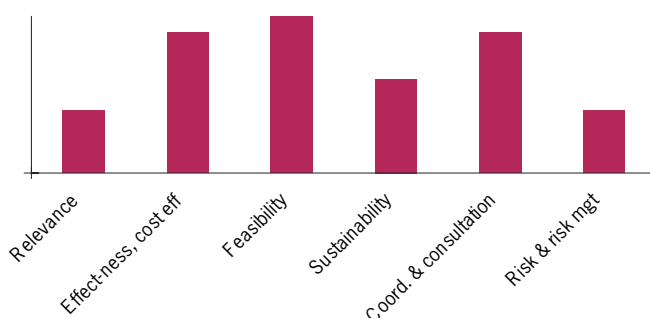
If the programme is jointly financed by several development partners, Sida will still assess the programme document, but this must be done in cooperation with others. If Sida has decided to play a passive role, it can rely on assessments made by other development partners. Even in this case Sida should make comments based on its assessment criteria, but for Sida's in-house processing, "Coordination and consultations" becomes the most important criteria to assess. If Sida decides to play an active role (e.g. as "lead donor"), the process will resemble the situation when Sida is the only donor.

- 2) To participate in dialogue, promote partnerships and strengthen the cooperation partner as owner and leader of the development effort.
- 3) In close cooperation with the partner determine the types and volumes of support that would render Sida's contribution optimal and effective.
- 4) To analyse and assess the partner's capacity in resource management, with special emphasis on good governance and anti-corruption measures. This assessment forms the basis of Sida's decision on which procurement and other resource management procedures are acceptable from a Sida point of view. The main principle is that the procedures of the cooperation partner should be used, which requires Sida to assess the partner's skills and capacity in these areas, as well as the formal regulations governing resource management including procurement procedures. In case of deficiencies, Sida should be willing to finance capacity development measures.
- 5) To undertake the measures that are required for Sida's decision whether to approve or reject the request, including the measures necessary for the conclusion of a specific agreement, if Sida's decision is affirmative. These measures include:
 - 5.1. Developing an approach to dialogue and formal consultations with the cooperation partner and other stakeholders, including development partners, during preparations.
 - 5.2. Investigating which instruments should be used in the preparation process, such as LFA analysis, conflict analysis, appraisals and special studies.
 - 5.3. Comparing the monitoring and evaluation procedures of the cooperation partner with those that are required to satisfy Sida's need for information on results, outcomes and impact, with the aim of identifying solutions acceptable to all parties.
 - 5.4. Considering any special requirements for Sida's own decision-making, for example the presentation of the programme/project and the proposed Swedish contribution in Sida's project committee(s). A complication with process oriented cooperation like sector programme support is that it normally involves many actors, each with its own decision process. Generally speaking the correct time for a Sida decision would be when all partners have agreed on all important issues

at stake. This would, however, confront the decision maker with a fait accompli and would have to be accompanied by a clarification to all involved that Sida's support is "subject to approval by Sida's Director General". The other possibility would be to formulate alternative solutions to the issues at stake and get a mandate to continue and conclude the discussion with the other parties.

- 5.5. The preparation of an Assessment Memo for Swedish support (see box on page 27).

The application of Sida's assessment criteria during in-depth preparations



All of Sida's *assessment criteria* are to be considered during in-depth preparations, although in varying degrees. Feasibility, in particular, comes to the fore.

Considerations relating to the programme/project proposal

• RELEVANCE

The basic relevance analysis, including an analysis of the causes and remedies of poverty in the specific case, should have been carried out during initial preparations. During in-depth preparations the focus should be on the cooperation partner's supplementary analysis and refinement of the approach. This is also the stage when the issues which are identified as crucial for poverty reduction shall be documented in the Assessment Memo.

The assessment of the relevance of a proposed programme/project will take its starting point, whenever applicable, in analyses and strategies on the country and sector levels. If these are lacking or insufficient, Sida must compensate for this by initiating and supporting complementary studies.

Analyses and strategies for different sectors thus play an important role in decisions on specific contributions. In assessing

the relevance and quality of these the following issues should be emphasized:

- How do the services provided within the sector answer to the needs and rights of poor women and men, girls and boys? What obstacles prevent poor people from accessing the services, i.e. geographical conditions and costs?
- To what degree do poor people profit from the pattern of budget allocations within the sector?
- What reforms within the sector appear as particularly desirable from the point of view of poor women and men, girls and boys?

The analyses at country and sector levels must always be supplemented by a context-specific assessment that shows how the particular programme/project links in a logical and credible manner to the general assumptions about the importance of this particular sector to poverty reduction in the country in question.

Some of the issues that might be highlighted with regard to an input's expected effects on poverty are:

- Will it increase the assets of poor women and men, girls and boys, and create better opportunities for poor women and men to earn a living or otherwise improve their material standard of living?
- Will it have a significant impact, positively or negatively, on the health and life opportunities of poor women and men, girls and boys?
- Will it provide poor women and men, girls and boys with education and increase their access to useful and otherwise valuable information and knowledge?

In order to assure that *the perspectives of the poor* have been able to influence a programme, the characteristics of the preparation process designed by the development partner should be examined:

- Has the process involved democratically elected assemblies?
- Has the process provided opportunities for participation and influence for the women and men affected by the decision? Who are the people who have been able to take part and exert influence?
- Are those who have been able to influence the process legitimate representatives of the people affected by the proposed programme/project?

In order to clarify that *a rights perspective* has been applied, the following questions should be posed:

- How can the programme be used to improve poor peoples ability to demand accountability from decision makers?

- Can actors be identified who can influence power structures in a direction that is favourable to the poor and excluded? Please take gender equality aspects into account.
- What rights are affected by the proposed contribution?
- What are the obligations of the government in relationship to these rights?

The *central elements for poverty reduction* (in particular 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, and conflict management and human security) indicate what Sida is to promote and support. A discussion about the different elements and other dimensions of poverty should be introduced as early as possible into the preparation process as it is easier to gain acceptance for a holistic approach before too many strategic choices have been made. The central elements and other dimensions which are considered strategically important in country or sector strategies must be regarded as entry points and awarded increased importance in analyses and assessments at programme/project level.

The central elements should be managed in an integrated fashion rather than being treated as discreet phenomena. Sida should always strive to maximise and promote reciprocal positive effects between the elements. The fact that poverty is multidimensional does not, however, mean that every single input must involve several different sectors or incorporate all of the central elements for poverty reduction. A multidimensional poverty analysis may well result in a specific, narrowly targeted intervention that is well contextualized.

The scope of the assessment of poverty focus should be adapted to the size and complexity of the proposed contribution. The demands for thoroughness and documentation are greater for contributions with a total expected cost in excess of MSEK 10.

Relevant answers to the questions posed and examined during initial and in-depth preparations shall be documented in the Assessment Memo. The expected positive effect on the preconditions for poverty reduction in the particular programme/project must be explicitly stated. The minimum requirements for Sida's assessment are provided in the box below.

• EFFECTIVENESS AND COST EFFICIENCY

Considerations made during the initial phase (“to do things right”, as well as “to do the right things”) should now be looked into in more depth in case these issues were not fully examined during initial preparations:

- a) Is the proposed strategy/plan likely to lead to the realisation of the objectives of the programme/ project?
- b) Are there alternative approaches that would be more appropriate in terms of impact (effectiveness) and resources (cost efficiency); are the costs of the programme/project of reasonable size?
- c) Are there further opportunities of improving effectiveness and reducing transaction costs by applying the principles of alignment and harmonisation?

• FEASIBILITY

While relevance and effectiveness/cost efficiency are focal areas during initial preparations, feasibility is central during in-depth preparations. Will the cooperation partner and other implementing parties actually succeed in carrying out the programme/project as intended? The following sets of issues should be considered:

- a) Is there 'implementation ownership', i.e. do the actors have the mandate, will and capability to implement the proposed activities, in particular activities aimed at facilitating for poor people to influence and gain from the activities of the programme/project? Particular attention should be paid to the middle management level and the rank and file staff of the implementing organisation.
- b) Are the organisational arrangements appropriate and is there a legal and institutional framework that will facilitate implementation?
- c) Are funds and other resources for implementation available?
- d) Are there reasons to consider alternative institutional arrangements, e.g. the involvement of civil society or the private sector in cases where governmental cooperation has been proposed?
- e) What are the strategic communication needs and how are these matters considered in the proposal?

Measurable benchmarks/indicators relating to feasibility should be identified. Proposed measures to develop capacity should be assessed and a process of dialogue should result in the identification of possible Swedish support to capacity development.

• SUSTAINABILITY

- a) What benefits in terms of poverty reduction will be generated beyond immediate implementation? In determining the impact, reference should be made to the perspectives of the poor, the rights perspective and the central elements for poverty reduction.
- b) Will the programme/project contribute to long-term poverty reduction without compromising other aspects of

Minimum requirements in assessment of poverty focus in programmes/projects supported Sida

Sida should to the extent possible – applying a holistic approach – strive to promote, integrate and maximise positive effects on sustainable poverty eradication from the central elements and other poverty dimensions (primarily democracy and good governance, respect for human rights, gender equality, sustainable use of natural resources and protection of the environment, economic growth, social development and social security and peace and security).

It is evident that poverty analysis can take many forms and have great variations in levels of ambition. As a minimum, the following should always be assessed at the programme/project level:

- That the relationship between the programme/project under consideration and the reduction of different dimensions of poverty has been made explicit and not merely taken for granted;
- That the rights perspective and the perspectives of the poor have been taken into account;
- That the poverty analysis covers the conditions of women and men, girls and boys;
- That any negative effects on the areas covered by the central elements of the policy for global development have been assessed in relation to the objective of the programme/project. If any such effect is found unavoidable it should be minimised;
- That an Environmental Impact Assessment (EIA) has been carried out;
- That the issue of HIV/AIDS has been one point of departure in preparation processes for countries with a high incidence of the pandemic and that this aspect has not been treated as a matter among others.

(See also Sida's regulation on conflict management and peace promotion and Sida's regulation on EIA).

sustainable development, for example issues relating to the sustainable use of natural resources?

- c) Has an environmental impact assessment (EIA), which is mandatory for all Sida contributions, been undertaken?
- d) Are there sufficient financial resources and professional capacity to continue after the agreement period?

Measurable benchmarks/indicators relating to sustainability should be identified. Means and methods to determine progress and impact should be assessed. Will the planned follow-up system provide all the information needed for impact assessment at the end of the agreement phase? What baseline studies will be required? Should the monitoring system be designed to capture effects/outcomes, as well as inputs and outputs? Should evaluations be undertaken and for what purpose? Should they be interim and be used as implementation tools or should they be end-of-project evaluations, with a focus on impact? Who should lead/participate in evaluation activities and whose interests

should they serve? Are there particular aspects that should be covered, e.g. aspects relating to the perspectives of the poor, the rights perspective or any of the central elements for poverty reduction? Please refer to the Sida Evaluation Manual “*Looking Back, Moving Forward*”.

• COORDINATION AND CONSULTATIONS

The ‘coordination and consultation’ criterion refers to the interaction between the cooperation partner, its national stakeholders and development partners, including Sida. Thus, it is at the centre of the policies and directives that form part of the Paris Declaration. The main text of *Sida at Work*, in particular the box ‘Implications of the Paris Declaration for Sida’s work’ in the section ‘Implications of the International Aid Agenda’, provides further guidance. Examples of factors to consider are:

- a) Have all opportunities been used to achieve alignment and harmonisation? For example, to what extent are all resource flows integrated and reflected in the development partner’s ordinary budget system. To what extent are the partner’s ordinary systems for financial management, follow-up and monitoring used for the Sida and other external contributions? Have harmonising opportunities been fully used for administrative procedures (e.g. relating to procurement and recruitment) between development partners and have they been aligned to the cooperation partner’s procedures?
- b) Have all opportunities been used to formulate the Swedish contribution as part of joint arrangements, for example contributions to joint sector programmes? Have consultative and coordination arrangements, led by the cooperation partner, been established, through Sector-Wide Approaches (SWAP:s), and/or Joint Financing Arrangements (JFA:s)?
- c) Have sufficient measures been taken to ensure that institutional arrangements on the side of the cooperation partner will lead to effectiveness and accountability in resource utilisation? What capacity development measures have been identified to strengthen weak areas in resource management?

• RISKS AND RISK MANAGEMENT

Risk analyses during in-depth preparations aim at identifying internal or external factors that might impede implementation or sustainability (‘killing factors’). The focus should not only be on analysis but equally on the management of risks and conflicts. What are the major potential risks? How should they be handled, by whom and under what arrangements? If possible, indicators to warn about risks arising should be developed, e.g. through an LFA process.

Considerations relating to the design of a possible Swedish contribution

• RELEVANCE

Supplementary analysis and refinement of the approach in the programme/project should be followed by measures to further promote relevance through improved design of Swedish support. Special attention should be given to the need to finance measures for qualified monitoring and assessment of impact on the poverty situation.

• EFFECTIVENESS AND COST EFFICIENCY

Is the proposed Swedish contribution optimal in terms of size and format? Are there alternative solutions that should be considered when it comes to “doing things right”, as well as to “doing the right things”. The consideration of alternatives should include aspects relating to alignment and harmonisation.

Aspects to be given special attention in Sida’s rating system should be observed.

• FEASIBILITY

Capacity development, including institutional development and measures relating to good governance and strategic communication, should be considered as part of the Swedish contribution. Measures towards alignment should be observed as means of facilitating implementation and reducing the cooperation partner’s transaction costs.

• SUSTAINABILITY

As part of its considerations of exit strategies, Sida should examine how and when the intended development results will have been achieved in a sustainable manner, thus allowing Sida an ‘exit due to graduation’. What could be done within the Swedish contribution to help achieve such an exit?

• COORDINATION AND CONSULTATION

Active Sida participation in consultative arrangements, as well as in measures aimed at harmonising development partner inputs should be given priority.

• RISKS AND RISK MANAGEMENT

How should measures to support risk analysis and risk management be reflected in Swedish support?

Products/documentation

If the in-depth preparation leads to a rejection, this should be documented and conveyed in a letter to the applicant.

If the outcome is positive the moment has come to complete the preparation process. As a result of the dialogue, the cooperation partner should have prepared a final programme/project document (or Plan of Operations) that is agreeable to all parties concerned. There should also be accord on the aid modality and cooperation form between Sida and the cooperation partner. Furthermore, the parties should have come to terms on an agreement text that is acceptable to all parties.

The responsible unit within Sida should have prepared a draft Sida decision, based on an *Assessment Memo*, as per the table of contents in the box below.

The main emphasis in the Assessment Memo should be on the programme/project and its envisaged effects to help create conditions that will enable poor people to improve their quality of life. The discussion on the Swedish contribution should focus on how well it is designed to support goal achievement at programme/project level.

Throughout the Assessment Memo the emphasis should be on Sida's assessments, avoiding lengthy descriptions.

References

- Sida at Work – A Guide to Principles, Procedures and Working Methods (Sida, 2005)
- Sida's regulation on Contribution management
- Sida's regulation on Environmental impact in development cooperation
- Capacity Development Manual (Sida, 2005)

Structure of an Assessment Memo (not more than 20 pages)

SUMMARY (main features, not justifications – 1 page)

1. BACKGROUND

- 1.1 General context, e.g. the general development preconditions in the country.
- 1.2 Applicable Swedish strategy/country or other operational plan.
- 1.3 An overview of the sector/policy area, including challenges and strategic issues.

2. ASSESSMENT OF THE PROGRAMME/PROJECT

- 2.1 Main features
 - Previous experiences of cooperation in the sector/area, lessons learned, results, rating
 - Decision processes and management structure of the cooperation partner
 - Objectives and purpose with particular emphasis on poverty reduction
 - Required internal and external inputs
- 2.2 Relevance
- 2.3 Effectiveness and cost efficiency
- 2.4 Feasibility
- 2.5 Sustainability
- 2.6 Coordination and consultations
- 2.7 Risks and risk management
- 2.8 System for follow-up and monitoring

3. DESIGN OF THE SWEDISH CONTRIBUTION

- 3.1 The Swedish contribution in relationship to the overall programme/project: direction and main emphasis.
- 3.2 Sweden's role in coordination and consultation arrangements, in particular alignment and harmonisation; delineation of responsibilities among partners and within Sida.
- 3.3 The Swedish contribution
 - Aid modality, cooperation form and type of agreement
 - Volume and period
 - Main components
- 3.4 Key issues for Sida during the agreement phase
- 3.5 Key areas of dialogue during the agreement phase
- 3.6 Aspects relating to monitoring, evaluation and the quality assurance of the Swedish contribution
- 3.7 Completion and exit
- 3.8 A proposed decision

ATTACHMENTS

- Draft agreement, with reference to a Plan of Operations or other management tool.
- Intervention logic table, e.g. LFA matrix.
- List of documents and references (not annexed).

Note: This proposed structure of an assessment memo is also found in an unfoldable sheet inside the back cover together with the assessment criteria and their definitions, and with reference to relevant pages in the text.

The Agreement Phase

Purpose and formal aspects

A main purpose during the agreement phase is to promote and support the cooperation partner's endeavours to achieve the intended objectives, through participation in dialogue and consultations, but also by ensuring that Swedish support is utilised effectively and efficiently in accordance with the provisions of the specific agreement and possible Joint Financing Arrangements.

Please also refer to the *Agreement Phase* in Sida's Regulation on contribution management.

Duration of the Agreement Phase

The agreement phase extends from the date of entry into force of the agreement to the date of expiry of the agreement. Thus, it includes start-up activities, continuous implementation and completion.

Documents that trigger action

The *specific agreement* pertaining to the Swedish contribution constitutes the main document designed to trigger action during the agreement phase. Further details should be provided in *Plan of Operations*, or similar document, that is referred to in the agreement as a management tool to guide implementation. The specific agreement provides for reports, consultations and studies that the parties have agreed upon. Additional commitments relating to implementation, such as time plans, detailed activity lists and expected results, are provided in the plan of operations. In some cases, supplementary provisions regarding implementation may be found in Joint Financing Arrangements or similar arrangements.

Formal registration

PLUS: registration as 'agreed' (A). At the expiry of the agreement and after fulfilment of formal reporting requirements, the contribution should be registered as 'completed' (C). Registration as completed presupposes that an approved *Results Analysis Report* and Sida's *Completion Rating* are at hand.

RATING: during the agreement phase, *Sida's Rating System (SiRS)* for internal assessment of progress will be applied regularly.

The tasks and roles of the cooperation partner

The cooperation partner owns the programme/project and is responsible for its implementation. This entails:

- Managing and implementing the programme/project in accordance with agreement(s) and programme/project documents, including plans of operations, work plans and budgets.
- Analysing and monitoring the development of the programme/project and the conditions under which it is implemented. This may include interim evaluations.
- Reporting to Sida about progress that has been made, results (outputs and outcomes) that have been achieved as well as costs and other aspects of the utilisation of the Swedish contribution.

The tasks and roles of Sida

Sida is responsible for the implementation of the Swedish contribution. This entails:

- Disbursing Swedish support to the programme/project.
- Sometimes, to making expertise or capacity support available.
- Following the implementation of the programme/project by participating in dialogue and consultations, scrutinising project reports, participating in annual reviews and making visits.
- Monitoring whether the cooperation partner complies with the provisions of the agreement, in particular with regard to financial management and procurement.
- Undertaking rating activities as part of Sida's internal assessment of progress in implementation.
- Providing the Swedish Government and public with information about the results of the development cooperation.

Joint tasks and roles

The cooperation partner and Sida are jointly responsible for:

- Arranging regular reviews and consultations to monitor the development of the programme/project and preparing for necessary changes in the emphasis and organisation of the programme/project. These reviews and consultations should include any other development partners who may be involved in the programme/project.
- Undertaking evaluations and learning from experience.
- Ensuring that the results of studies, such as end-of-project evaluations, are communicated to all relevant individuals and institutions.

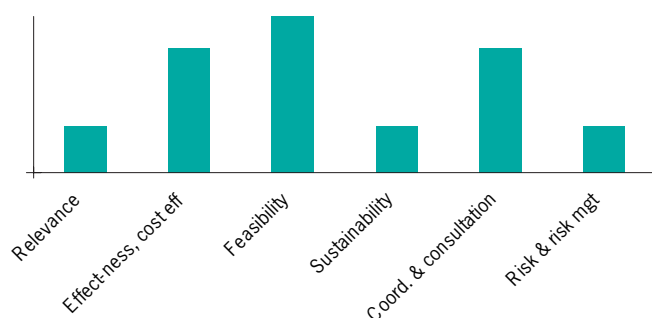
The application of Sida's assessment criteria during the agreement phase

The relative weights of different assessment criteria during the agreement phase are illustrated under each sub-phase.

Feasibility remains a fundamental issue throughout the agreement phase. The capability of the cooperation partner and other stakeholders to implement agreed activities is centre stage, as is Sida's capability to provide agreed professional and financial resources in the right quantities and at the right time.

Other assessment criteria remain important but are examined on certain occasions only, such as at regular reviews and consultations. They are also considered in major studies, such as assessments, evaluations and performance audits. On these occasions, the conclusions and assumptions made during the preparatory stages are to be revisited and their continued applicability reviewed. If it is shown that conditions for the ongoing cooperation have changed, formal changes of relevant agreements should be made.

Sub-phase A: Conclusion of an agreement and starting-up

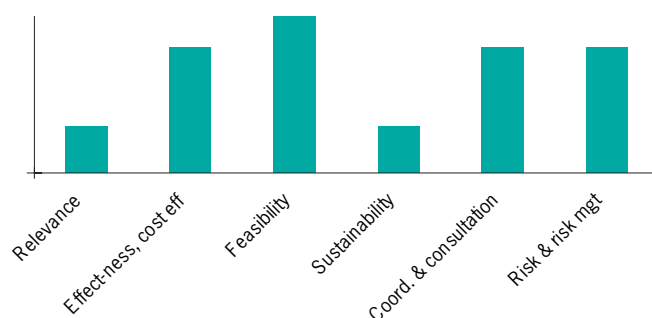


Implementation of Swedish support starts upon the entry into force of a specific agreement to regulate the cooperation and the accompanying transfer of resources. Normally, a number of strategic issues and concerns have been identified in the preparation process. Such issues should be documented and the parties will agree on how to handle them. Issues of strategic importance should be included in the provisions of the specific agreement.

Detailed benchmarks and indicators should be reflected in the Plan of Operations or similar management tools that are referred to in the specific agreement. The benchmarks and indicators should relate both to the programme/project and the Swedish contribution.

Upon signature of the agreement, there is reason for the Sida unit responsible for implementation and the cooperation partner to review the implications of the agreement in terms of tasks and responsibilities, including measures for monitoring and follow-up. These considerations should capture all relevant aspects of the input and should form the basis of regular operational planning in the implementation period, including anticipated major events. Furthermore, consideration should be given to plans for revisiting the major assumptions that were made during preparations. In the case of large, complex or strategic contributions, the agreement parties should establish an *implementation plan for the agreement period*, detailing the activities of the Plan of Operations.

Sub-phase B: The continuous implementation stage



The provisions of the specific agreement govern the measures to be undertaken at the continuous implementation stage. Measures to be undertaken include:

- Routine monitoring through the analysis of periodic reports, ad hoc or regular consultations and visits to the site(s) of the programme/project;
- Financial follow-up of contributions;
- Follow-up of compliance with agreement conditions, in particular those relating to procurement, reporting and auditing;
- Contractual release of resources on the basis of satisfactory progress. Resource releases could involve *disbursements of financial resources* or *procurement of goods and services*;
- In-depth monitoring and assessment on the basis of annual reports and other reports of an analytical character, such as audit reports, interim evaluations and special assessments and studies;
- Regular contractual consultations, where the parties review progress and define necessary adjustments of components

and action plans. Such consultations should be based on analytical reports and studies. As a standard item, established poverty analysis and dialogue issues should be revisited and refined in view of current developments. Prior to the consultations, Sida will prepare its own terms of reference that reflect Sida's priority agenda items and Sida's position in relationship to these items. The consultations will result in written *agreed minutes*, in which the parties agree on the way forward including any steps to formally modify the contents of the cooperation;

- Ad hoc measures to solve up-coming problems, including the provision of professional and/or financial resources to handle situations that are unforeseen but still fall within the framework of the specific agreement;
- Coordination with other development partners, under the leadership of the cooperation partner, regarding formal consultations, resource inputs and matters relating to alignment and harmonisation.

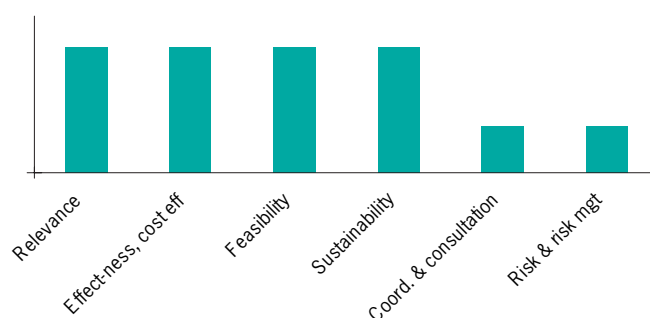
Thus, a great number of tasks should be undertaken during the continuous implementation stage. It will be important to keep in mind the general considerations noted in the introduction:

- Keep poverty reduction in focus
- Do not forget lessons learned
- Be selective, but document why
- Consider alternatives and focus on opportunities

Sida's monitoring is formalised in *Sida's Rating System (SiRS)*, which applies to all contributions larger than MSEK 3 and with duration of more than 24 months. The rating model is designed to monitor (a) the achievement of immediate results (outputs) against plans and (b) the risks that the programme/project will not achieve its objectives. The results of the rating activities are to be shared with the cooperation partner as a basis for analysis, follow-up and dialogue.

On occasions of in-depth monitoring and assessment, strategic issues that were identified at the preparatory stage and documented in the Assessment Memo, the specific agreement or other basic documents should be revisited, including aspects that are central to poverty analyses. This could be done either as part of the rating activities or through special measures. Are assumptions still valid or is there a need to reconsider aspects of the cooperation? Have commitments and obligations under the agreement been fulfilled? Has agreed action in previous regular reviews, as documented in agreed minutes, been implemented?

Sub-phase C: Completion of agreement



At the completion stage of an agreement, the parties need to summarise results and learn from their experience. Procedures for completion are established in the specific agreement and include requirements for the cooperation partner to prepare draft and final *Results Analysis Reports* (or similar as stipulated in joint financing arrangements), which should be analytical and link back to assumptions and baseline studies made at the preparatory stage. The agreement could also specify that end-of-support audits, assessments or end-of-agreement evaluations should be undertaken. Please refer also to the Sida Evaluation Manual, “*Looking Back, Moving Forward*”.

Completion activities are important to mutual learning and continuous improvement of the input. They should be planned well ahead of the final year of the agreement period and should be a joint undertaking between the cooperation partner, Sida and other participating development partners.

The cooperation partner’s *Results Analysis Report* will constitute the basis for Sida’s *Completion Rating* of the programme/project. The completion rating is a comprehensive final rating covering the entire life-cycle of the programme/project. In this case the performance assessment must address implementation during the entire life-cycle and in relationship to original plans. Comments must primarily relate to lessons learned and the reasons behind successes and/or failures. The risk assessment in the completion rating addresses the fulfilment of the programme/project purpose and the likelihood that it will make an effective and sustainable contribution to the development objective. For small projects not covered by Sida’s rating system, lessons learned should be documented in a brief completion memo.

Sub-phase A: Conclusion of an agreement and starting-up

JOINTLY WITH THE PARTNER

- Agreement and, possibly, Joint Financing Arrangements, with attachments;
- Plan of Operations.

BY SIDA

- Overall work plan relating to the contribution.

Sub-phase B: Continuous implementation

FROM THE PARTNER

- Requests and other documents relating to the release of funds, based on contractual reports and other information from the partner;
- Audits and special studies.

JOINTLY WITH THE PARTNER

- Agreed minutes from regular reviews;
- Interim evaluations.

BY SIDA

- Operational plans and regular activity reporting (e.g. in country reports);
- Internal documentation on the release of resources;
- Documentation on financial follow-up of contributions.

Sub-phase C: Completion of agreement

FROM THE PARTNER

- Results analysis report (or similar, as stipulated in Joint Financing Arrangements), draft and final;
- Final audit, evaluation reports and reports from special studies.

JOINTLY WITH THE PARTNER

- End-of-agreement evaluations.

BY SIDA

- Completion rating

References

- Sida at Work – A Guide to Principles, Procedures and Working Methods (Sida, 2005)
- Sida's regulation on Contribution management
- Sida's regulation on Development cooperation agreements
- Sida's Anti-corruption regulation
- SiRS – The Sida rating system, Principles and General Guidelines (Sida, 2004)

Retrospective Follow-up

Purpose and formal aspects

Retrospective follow-up is not a phase in the proper sense but provides an opportunity for in-depth follow-up of selected programmes/projects.

Retrospective follow-up is undertaken some time after the agreement period – frequently several years later. Retrospective follow-up contributes to long-term learning relating to relevance, impact, sustainability and effectiveness.

Documents that trigger action

Retrospective follow-up could have been foreseen in the original specific agreement but could also be identified at a later stage. Retrospective follow-up will not be undertaken in all cases but should be reserved for cases where the parties jointly, or Sida alone, have identified issues of special interest or concern. In this sense, retrospective follow-up differs from completion sub-phase activities which are compulsory.

Formal registration

EDOC: registration as a case.

PLUS: registration under monitoring/evaluation or under an ongoing Swedish contribution in related subject areas. (The contribution that the follow-up refers to will already have been completed.)

Tasks and roles during retrospective follow-up

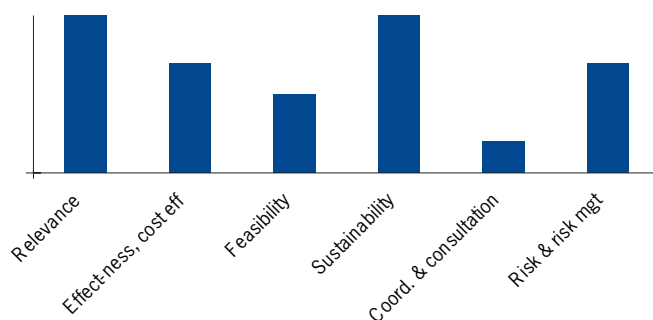
Retrospective follow-up should be planned and undertaken jointly by Sida and the cooperation partner, if not fully implemented by the partner. The parties should jointly decide on the purpose, scope, schedule and other aspects of the terms of reference of the follow-up.

Baseline studies and assumptions from the preparation stage, as well as various reports, including evaluations from the agreement phase, provide valuable inputs that are to be compared with current data as collected during the retrospective follow-up.

Communication aspects are of particular importance and need to be carefully considered in order to ensure that the findings of the follow-up are disseminated among those concerned. A communication plan for the follow-up activities should be prepared and should also include a plan for the utilisation of lessons learned.

Please also refer to the Sida Evaluation Manual, *'Looking Back, Moving Forward'*.

The application of Sida's assessment criteria during retrospective follow-up



The main emphasis during retrospective follow-up is on long term aspects of all Sida's assessment criteria, in particular relevance, effectiveness/cost efficiency and sustainability.

Products/documentation

Evaluation reports.

Agreed minutes on application of findings.

References

- Looking Back, Moving Forward – Sida evaluation manual (Sida, 2004)

Annex:

Special considerations in certain aid modalities and cooperation forms during contribution management

As has been noted in the main text of this manual the overall objective of Sweden's development cooperation, the two perspectives, the central elements, as well as Sida's assessment criteria, will guide Sida's work with all programmes and projects irrespective of type of aid modality and cooperation form. However, various aid modalities and cooperation forms possess particular features that affect the emphasis and considerations that should guide Sida in its preparatory work, decision making and follow-up. In this Annex examples of such special features are given regarding:

1. General budget support for poverty reduction
2. Sector programme support
3. Delegated cooperation
4. Support to countries in transition from war to peace
5. Co-financing arrangements with multilateral organisations
6. Support via Swedish non-governmental organisations

1) General budget support for poverty reduction

General budget support for poverty reduction is defined as a non-earmarked financial contribution to the financing of a country's state budget. Its purpose is to support the implementation of the country's Poverty Reduction Strategy (PRS). A key characteristic of budget support is that it is channelled directly through the partner country's own financial management system.

The general nature of budget support implies that there are some specific preconditions and considerations that are more prominent for this type of support compared to other aid modalities. These are related to the country's PRS, the macroeconomic situation and the public financial management system.

Budget support should be based on a PRS or similar policy document for which there is national broadly-based ownership. Sida needs to assess:

- the relevance of the PRS and the credibility of the underlying poverty analysis;
- the degree of partner country ownership and the process for preparation, implementation and monitoring of the strategy;
- the feasibility of the strategy, including whether clear priorities are made and whether these have been properly costed and translated into the state budget. Sida also needs to assess the country's capacity to implement the strategy.

Sound economic policies that aim at achieving macroeconomic stability and pro-poor growth are essential for budget support to be effective. Therefore, in considering budget support Sida should make an assessment of the economic policies of the partner country. Normally, sound economic policies mean that the partner country implements a macro-economic reform programme agreed with the IMF. However, Swedish budget support to a country without an IMF programme or where the programme has been discontinued may also be considered. In such a situation, it is particularly important that Sida undertakes a careful analysis of the economic policies of the country and is able to motivate why Sida's assessment differs to that of the IMF.

A reliable public financial management (PFM) system is essential in order for the PRS to be implemented successfully. However, weak PFM systems in many partner countries constitute a risk that budget funds are not used for intended purposes or not properly accounted for (fiduciary risk). A high fiduciary risk does not necessarily preclude the provision of budget support, but the risks needs to be thoroughly evaluated. Providing budget support can contribute to strengthening the budget process and the PFM system. An assessment should therefore be made of whether there is a credible reform programme and whether actual progress is made in improving the PFM system. A concluding judgement should be made on whether the potential developmental benefits justify the risks.

On the basis of these assessments, conclusions must be drawn regarding the need for budget support and whether budget support is an effective form of cooperation. In this context, it should be considered whether there is a need for complementary measures, such as support for capacity building, in order to improve the effectiveness of budget support.

An assessment of the preconditions for budget support is to be carried out when elaborating the cooperation strategy. On the basis of Sida's assessment in the draft strategy, the Swedish government decides whether general budget support is a suitable form of cooperation with that country. Then Sida decides on budget support contributions during the strategy period.

Assessments in the cooperation strategy are to be deepened and updated in Sida's continued preparation.

In Sida's preparations, dialogue issues and results monitoring are key aspects. Benchmarks and indicators for monitoring of results should preferably be drawn from the PRS and should reflect a multi-dimensional approach to poverty. Preferably, donors should jointly agree with the partner government on a common framework for dialogue, conditionality and for monitoring of results. Budget support should be delivered in a way that enhances the predictability of funds and reduces volatility. Therefore, Sida should preferably enter into multi-annual agreements on budget support and decisions and disbursements should be adapted to the partner country's budget process.

Regarding the risk assessment, the anticipated benefits of budget support need to be weighed against the risks. It is also important to consider how the budget support programme can be designed in order to minimise risks.

2) Sector programme support

Sector Wide Approach (SWAP) is the term used for current international thinking and practise regarding long-term support to development at the sector level, embracing a sector policy and a sector expenditure programme. Sector Programme Support is the term used by Sida meaning to participate in and support a SWAP.

When moving from a more limited project approach to a SWAP the balance between the internal and external factors change. Experience has shown that the following contextual issues arise in almost all SWAP:s.

- The political dimension. What kind of popular and general political support exists in terms of overall priority for the sector or the sector programme? Sector Programmes are more sensitive to political changes and more dependent on political support in the country for their success than a more limited (and largely donor financed) project. What are the risks and opportunities involved?
- The financial management system and the risk of corruption. These are general issues that should have been dealt with in the cooperation strategy. The question at the sector level is rather if there are particular aspects within the sector that need to be taken into account, i.e. pertaining to procurement?
- Is there a clear strategy for implementation and the capacity to implement what has been agreed? The key issue here is to identify the main actors who are responsible for, and expected to implement what has been agreed. In SWAP:s they are many more actors than for bilateral and more limited projects.

- Lessons learned from previous cooperation in the sector. These lessons provide the baseline for the decision to join a SWAP.
- Linkages, political and financial to broader national strategies for poverty reduction.

Another characteristic feature of SWAP:s is the process of cooperation, where the key words are alignment, joint and harmonisation. A SWAP by definition includes a number of actors in the partner country and at least two external agencies. The concept is built on a notion of trust, cooperation, willingness to give and take, adjustment of procedures to those that already exist in the country and harmonisation of procedures and approaches among the external agencies. Some issues that need to be agreed and implemented jointly emerge.

- It is important that there is an explicit framework for the cooperation that sets out the rules of the game. These are usually reflected in a Memorandum of Understanding and a Joint Financing Arrangement. There are standard agreements that Sida seeks to apply which have been established by the Nordic Plus Group of donors.
- Capacity to plan, to steer complex reform processes and to implement more generally are key issues in any SWAP. The question that arises is how a joint analysis and understanding of capacity problems can be established and how the donors can work together to strengthen the capacity of the country. Today it is quite common that the different donors provide technical assistance in an uncoordinated manner or organise training programmes that overlap.
- It is important that the parties agree jointly on a set of indicators to measure progress. Experience so far shows that they should include some of the external factors identified above, some that relate to progress within the sector or within a more narrowly defined sector reform programme, and some process indicators. This has proven to be a time-consuming process, but is absolutely vital for the follow-up and evaluation of the SWAP.

As support to SWAP processes are long term undertakings, it is generally accepted that the parties should strive to formulate indicators that measure “outcomes” rather than inputs and outputs. For example, an outcome indicator in the education sector may be about the outcome of the education system i.e. what students have actually learned, rather than the inputs (financing of school buildings, teacher training and books) or the outputs (how many have passed through the system, how many have dropped out).

3) Delegated cooperation

According to the OECD/DAC:s *Guidelines on Harmonisation* “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.”

This definition is very open and can include many such arrangements with multilateral and bilateral organisations. Sida has, however, reserved the term Delegated Cooperation for cooperation within the framework of programme-based approaches, when a group of donors come together jointly to support a national and/or sector programme for poverty reduction.

Unlike most other co-financing arrangements, delegated cooperation 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. Overhead costs should normally not be charged. Often 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.

As a general principle it should be assumed that any arrangement on delegated cooperation must rest on a common platform of basic values and shared objectives, while there must be flexibility when it comes to procedures and work practices. The question, as in all forms of partnerships, is the 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 to be delegated. Sida's assessment has so far included (1) overall policies, (2) objectives, (3) approaches (i.e. policies for Sector Programme Support), (4) assessment criteria and procedures relating to cooperation strategies and to (5) contribution management. Sida must be prepared to be assessed in a similar way.

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. It is important to note that delegation of authority does not mean delegation of responsibility for the overall results of the coopera-

tion. 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 responsibility for results can not be delegated.

Delegated cooperation rests on the assumption that there is reasonable correspondence between the objectives and procedures of the partners. The assessment above is there to ensure that such correspondence exists. If this is the case, Sida should be flexible and prepared to accept the criteria, procedures and format of the documents used by the active partner as a basis for decisions. In terms of substance, Sida must form an opinion on the assessment made by the delegated partner in its own decision documents.

Delegated cooperation means that the “silent partner” should not become 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.

The active partner is responsible for follow up in relationship 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. It is assumed that there are agreed criteria to measure the success of the programme/project that is being supported.

4) Support to countries in transition from war to peace

Contributions to activities in countries recently affected by armed conflicts, after the immediate humanitarian phase but before the beginning of regular development assistance, need special consideration. The transition phase may last from one to several years depending on the success of the peace process and capability of the government. Safeguarding a fragile peace process from collapse by starting activities early is important in order to promote sustained peace and the development objective.

Activities during a transition phase may include disarmament, demobilization and reintegration of combatants, peace and confidence building activities, return and resettlement of internal displaced people and refugees, early rehabilitation and reconstruction of social and economic infrastructure, and in some cases institutional support – for example to promote good governance, the judiciary and general elections.

Sida's assessment criteria are also relevant for support to transitional projects, but should be considered in view of the often very complex, fragile and insecure situations in countries where governments are extremely weak and civil society has

been weakened. Increased external and internal risk factors that may impede implementation should sometimes be accepted. Assessment of a transitional programme/project should normally be prepared during a shorter time frame than a development programme/project due to often fragile environments and urgency of activities, but the sustainability of the activity after external support has ended must be considered. It is often necessary to examine the political environment in the country in order to assess the probability of positive development towards democratic governance.

Implementers are in most cases, UN agencies, World Bank or international NGO:s. It is preferable to channel support through an established UN trust fund or similar and in cooperation with other donors.

5) Co-financing arrangements with multilateral organisations

In the preparation of programmes/projects for cofinancing with multilateral organisations, e.g. UN or the World Bank, it is especially important for Sida to assess the comparative advantage of the organisation, and its country office in particular. This should include a comparison with other alternatives. The organisations relations to relevant national partners and the capacity to maintain a relevant and progressive dialogue should be assessed. Another aspect is the capacity to monitor the implementation by national partners and to provide Sida with analytic, pertinent and timely reports.

In co-financing arrangements the UN organisation will be in charge of the monitoring of the programme. Consequently Sida may usually take this task more lightly than in the case of direct country-to country cooperation. Sida's monitoring is often concentrated to annual meetings between the Swedish Embassy and the UN partner, for which the Embassy may wish to request the support of sector specialists from Sida headquarters. In cases where several donors co-finance the same programme/project monitoring meetings should preferably be coordinated. Over and above these formal meetings Embassy staff usually visits the programme/project and maintains an informal dialogue with the UN partner throughout the year. Should serious problems occur, the Embassy will naturally have to step up its monitoring. In exceptional cases, Sida may wish to contract consultants to form a monitoring team.

The UN organisation may undertake an evaluation at the end of the programme/project and will usually invite Sida to participate. Even though Sida reserves the right to evaluate co-financed programmes/projects in the standard agreement with UN organisations, this is rarely done.

6) Support via Swedish framework non-governmental organisations

Under a special budget line, Sida supports development cooperation activities that are carried out by Swedish non-governmental organisations. The aim of this support is to strengthen the development of a sustainable and democratic civil society, using such inputs as capacity building of local partner organisations. Sida's support is provided on a co-financing basis in order to secure a genuine commitment and close ties between Swedish and non-Swedish grassroots organisations. The programmes/projects carried out by the Swedish organisations are, contrary to the bilateral Government to Government co-operation, not guided by cooperation strategies or country plans, but are the expression of the Swedish organisations' and their local partners' own priorities, country as well as theme wise. Sida channels its resources through framework organisations, which assess and decide on support to individual programmes/projects undertaken in partnerships between Swedish and non-Swedish organisations.

The overall goal for support via Swedish non-governmental organisations is the same as for Swedish development cooperation in general. Also, the basic principles (the perspectives of the poor, the rights perspective and consideration of the central elements) are the same, as well as the assessment criteria.

There are some differences in tasks and roles, however.

- The assessment of programmes/projects is not made by Sida but by the framework organisations through which Sida channels support to grassroots organisations that cooperate on and implement individual programmes/projects. Guidelines for these assessments are issued by Sida and follow the framework provided in *Sida at Work* and the *Manual on Contribution Management*.
- Sida's own assessment relating to support via Swedish non-governmental organisations is focussed on the framework organisations as intermediaries, i.e. on their ability to assess and follow-up the work undertaken in partnership between Swedish and non-Swedish organisations.

Matters related to support via Swedish non-governmental organisations are handled by SEKA at Sida/Stockholm and do not directly involve Sida's field organisation. However, it is common that joint sessions are held annually for mutual exchange of information and experience on bilateral cooperation and cooperation through non-governmental organisations, respectively.

Sida's assessment criteria
and
Structure of an assessment memo

Assessment criteria

Sida uses a number of assessment criteria to facilitate its decision-making. The criteria relate to the Logical Framework Approach (LFA) methodology.

The assessment criteria are:

1. **RELEVANCE**, which assesses how appropriate a development strategy, or a specific programme/project, is in relation to the cooperation partner's and poor people's priorities and existing needs.
(For more details refer to pages 17–18 and 27–31)
2. **EFFECTIVENESS AND COST EFFICIENCY**, which assesses
 - a) whether the set objectives of the programme/project are likely to be achieved; and
 - b) whether the implementation strategy is an appropriate and cost-efficient way of achieving the objectives under the prevailing circumstances and given possible alternatives.
(Pages 17–18, 29 and 33)
3. **FEASIBILITY**, which assesses if the practical conditions exist for successful implementation of the programme/project and the Swedish contribution, respectively. Do the implementing parties have the required capacity, resources and will for successful implementation? Apart from these ownership aspects, assessments of the institutional environment for implementation come to the fore.
(Pages 30 and 33)
4. **SUSTAINABILITY**, which assesses if a supported development effort maintains its effects at a reasonable level after the cessation of external support (or the completion of the programme/project), in terms of impact on human, environmental, institutional and financial resources. Ownership issues at an impact level are addressed, including the influence that poor people exert during planning, implementation and follow-up.
(Pages 30 and 33)
5. **COORDINATION AND CONSULTATIONS**, which assesses strengths and weaknesses in the interaction between the cooperation partner, its national stakeholders and development partners, including Sida. Particular attention should be given to issues of ownership and control, for example how to arrange consultations without hampering the cooperation partner's internal management structures.
(Pages 32–33)
6. **RISKS AND RISK MANAGEMENT**, which assesses internal and/or external risks and proposes measures to avoid or reduce such risks.
(Pages 32–33)

The assessment criteria form the foundation in Sida's assessments and should always be used in the internal decision making. Still, they should be applied as required in the specific situation, which will mean that the emphasis given to each of them will vary depending on the programme/project and the aid modality and cooperation form selected for the Swedish contribution. Some examples on the variations in emphasis and considerations that characterise the assessment of various aid modalities and cooperation forms are given in Annex.

Structure of an Assessment Memo (not more than 20 pages)

SUMMARY (main features, not justifications – 1 page)

1. BACKGROUND

- 1.1 General context, e.g. the general development preconditions in the country.
- 1.2 Applicable Swedish strategy/country and other operational plan.
- 1.3 An overview of the sector/policy area, including challenges and strategic issues.

2. ASSESSMENT OF THE PROGRAMME/PROJECT

- 2.1 Main features
 - Previous experiences of cooperation in the sector/area, lessons learned, results, rating
 - Decision processes and management structure of the cooperation partner
 - Objectives and purpose with particular emphasis on poverty reduction
 - Required internal and external inputs
- 2.2 Relevance
- 2.3 Effectiveness and cost efficiency
- 2.4 Feasibility
- 2.5 Sustainability
- 2.6 Coordination and consultations
- 2.7 Risks and risk management
- 2.8 System for follow-up and monitoring

3. DESIGN OF THE SWEDISH CONTRIBUTION

- 3.1 The Swedish contribution in relationship to the overall programme/project: direction and main emphasis.
- 3.2 Sweden's role in coordination and consultation arrangements, in particular alignment and harmonisation; delineation of responsibilities among partners and within Sida.
- 3.3 The Swedish contribution
 - Aid modality, cooperation form and type of agreement
 - Volume and period
 - Main components
- 3.4 Key issues for Sida during the agreement phase
- 3.5 Key areas of dialogue during the agreement phase
- 3.6 Aspects relating to monitoring, evaluation and the quality assurance of the Swedish contribution
- 3.7 Completion and exit
- 3.8 A proposed decision

ATTACHMENTS

- Draft agreement, with reference to a Plan of Operations or other management tool.
- Intervention logic table, e.g. LFA matrix.
- List of documents and references (not annexed).

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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