

Carlman, Åkerblom

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Guidelines and action plan for Sida's cooperation with Swedish business

1. Background

Sweden's Policy for Global Development (PGD) states that all policy areas shall contribute to equitable and sustainable development and keep the poverty and rights perspectives in mind. This policy shall contribute to Swedish society, including business, playing a greater role in fostering ideas, shaping opinions and establishing more contacts and cooperation with countries in the South. Cooperation shall continue even after development cooperation has ended.

In light of this, Sida commissioned a consultant to conduct a survey of the need for Sida to develop a dialogue with various actors in Swedish society. A general approach to cooperation with Swedish actors was also adopted. Throughout this process, as well as through other contacts, it became clear that the relationship between Sida and Swedish business could be improved.

The Swedish government reached the same conclusion. The Ministry for Foreign Affairs therefore commissioned two reports under the unified title "Utvecklingsamarbete och näringsliv i samverkan" (Development Cooperation and Business Working Together, UNIS for short). These reports conclude that the role of business in development cooperation should be strengthened. This requires both business as well as the Swedish government and different segments of the foreign service to take action. The latter consider Sida to have an important role, but the studies' proposals assume measures by, and greater cooperation among, the Swedish Trade Council, Swedfund, the embassies, and others. The study

also makes the case why Sida needs to be allocated the necessary resources to implement the proposed measures.

In April 2006, Sida presented its first comments on UNIS, following consultations in Sida's managerial group. The Director General also decided that Sida should produce an action plan for cooperation with business.

2. Aim of the guidelines and action plan

The aim of the guidelines and action plan are:

- to present Sida's approach to cooperation with Swedish business
- to formulate measures for developing Sida's cooperation with Swedish business and specify the required resources
- to propose priorities for these measures.

The action plan shall also form the basis for feedback to the Government: "Sida shall report on measures taken and initiatives that have been started for increased cooperation and use of competence from Swedish business by June 30, 2007 at the latest." (Annual directives and letter of appropriations for Sida 2007, p 22)

3. What is Swedish business?

The concept "Swedish business"¹ is very broad and covers 400,000 private, public and cooperative enterprises, as well as hundreds of trade associations and trade unions. Sida's initiatives must therefore be highly specific and aimed at targeted, clearly defined parts of business. It therefore becomes important to work with the following categories:

- Companies that deliver/want to deliver goods, services and facilities that are fully or partly financed by development cooperation, in particular, within the areas requested by our partner countries (such as agriculture and forestry, fishing, water, sanitation, energy, ICT, social structure) and within the areas prioritised by Sweden (such as energy, climate and environmental engineering).
- Swedish companies that have or could consider setting up business in or increasing trade with those countries with which Sweden has extensive cooperation, and where cooperation with Swedish companies could contribute to poverty reduction.²

¹ A "Swedish" company is one that has a substantial part of its employees in Sweden.

² It is also important to differentiate between large companies, which usually have a well-developed international presence, even in poor countries, and small and medium-sized enterprises.

- Cooperative associations and trade unions as well as employers' organisations, primarily those that are active within development cooperation (e.g., within LO-TCO Secretariat of International Trade Union Development Cooperation, the Swedish Cooperative Centre, the International Council of Swedish Industry, the Federation of Swedish Farmers, the Swedish Association of Local Authorities and Regions).
- Umbrella organisations such as federations of enterprises, trade unions, chambers of commerce, Swedish Consultants and the Swedish Project Export Association.
- Trade associations that are active within Sida's main sector areas in terms of democracy, social development, infrastructure, economic cooperation and sustainable use of natural resources and care of the environment.

It is important to note that Sida's cooperation with Swedish business is not limited to contributions for the development of business and infrastructure. Swedish business also contributes to many different areas within development cooperation work. This applies, not least, to consultancy firms and to some business and labour market organisations.

4. Challenges

UNIS clearly states that relations between Swedish business and Sida certainly could be improved. According to UNIS, this appears to be due to a number of reasons:

- The government has given unclear signals and double messages, e.g., both untying and increased Swedish commitment.
- Dialogue and cooperation within foreign administration do not work well, resulting in unclear communication with business.
- Sida is perceived as intractable when it upholds untying, LOU (The Public Procurement Act in Sweden) and Community law.
- The rules and regulations (Sida Procurement Guidelines, LOU and Community law) are seen as unclear; different parts of Sida make different interpretations. Sida's application is seen as rigid, especially when compared to other donors.
- Many of Sida's staff are seen as having negative attitudes towards cooperation with Swedish companies.

It is evident that PGD has raised expectations of greater business opportunities for Swedish companies – expectations that have been replaced with disappointment over lack of business.

Swedish business's "proportion" of Swedish development cooperation funding has fallen in the last decades. The main reasons are untying of development cooperation, increased procurement by recipient countries, reduced demand for credit and guarantees due to the HIPC process and the shift by Swedish development cooperation from infrastructure to democracy and social development, and from project to programme and budget support to co-financing with other donors.

5. Points of departure

Sida's cooperation with Swedish business is based on the Sida's instruction outlined in the PGD as well as Sida's response to UNIS in April 2006 (Appendix 2). It is also informed by the DG's decision, 21/09/2006 "Positionspapper om Sidas förhållningssätt till svenska aktörer inklusive grundläggande principer för bredare samarbete" (Position paper on Sida's approach to Swedish actors including fundamental principles for broader cooperation) (see Appendix 1).

The Government is expected to make a decision on additional assignments in view of UNIS later this spring.

According to the instruction, Sida shall

"make use of experience and skills in Swedish society within administration, business, trade union movements and other organisations in development cooperation." (§ 3.1, cf. PGD p 77)

There is nothing in the PGD that states that Swedish business should be provided with greater business opportunities within international development cooperation. However, within the context of PGD, policy papers on consultation and cooperation aimed at mobilising the whole of Swedish Society have been produced in order to

"assert Sweden's position in an environment that is often dominated by significantly bigger and more influential countries. This way, knowledge about forward-thinking models and solutions can be spread in the partner countries. There ought to be consultation and cooperation between development cooperation and the Government's promotion of export and import so that use can be made of different experiences, competences and resources and that they can work together." (Shared Responsibility, p 79)

The 2007 annual directives and letter of appropriations contain a special reporting requirement on "the role of business in development cooperation", which is expected to grow. The report shall describe

"measures taken and initiatives planned for increased coordination with and use of competence from Swedish business (private companies, business organisations and trade unions). This is directed at the working methods within Sida and its activity at the foreign offices as well as instruments, contributions and forms of cooperation with the Swedish Trade Council, Swedfund, business organisations, the trade union movement and other relevant authorities and organisations." (p 22)

According to UNIS there is

“a long-term public economic interest for Sweden that Swedish business takes advantage of the opportunities created in the new growth economies and on the markets that may emerge in the future.” (p 6)

Furthermore, UNIS writes

“Good trade relations and sound direct investment are also conditions of sustainable economic growth and poverty reduction in the developing countries.” (p 6)

PGD and the studies suggest that when Swedish companies with clear CSR profiles establish operations in – and trade with – our partner countries, it is in accordance with Swedish attempts to uphold the rights and poverty perspectives. Likewise, the goal of development cooperation is supported if Swedish companies want to develop products and services that can benefit poor people. Encouraging Swedish companies to invest in a way that benefits poor people is thus an important aspect of development cooperation. Such investments could provide poor people with employment or access to more affordable goods and services – such as cheap energy, water, sanitation and mobile telephony – which in turn could help them escape poverty. Such investments can often be financed on the open market, though they may require initial support in the form of knowledge, contacts and seed money.

Sida’s 2007 directives and letter of appropriations particularly focus on cooperation with business in terms of environment, energy and climate contributions:

“With the general work carried out by Sida to strengthen cooperation between development cooperation and Swedish business as a point of departure, the authority shall look, in particular, for cooperation with Swedish business within the environmental field.”

The search for SEK 100 million in funding will

“be used in areas where Sweden and Swedish business have a strong position... and thereby contribute to growth in the partner countries as well as in Sweden.”

For cooperation in the Baltic Sea region, which lies outside the scope of development cooperation appropriation, “the activity should be based on the needs and initiatives of Swedish actors.” (RB 2007, p 3)

6. Sida’s approach

The following outlines the Sida’s fundamental principles guiding its approach to cooperation with Swedish business:

1. Sida’s work is based on the goal “to contribute to creating conditions to allow poor people to improve their living conditions”. The work is carried out according to basic principles for development cooperation, especially in the PGD, the Paris Declaration and the EU’s development cooperation policy. This includes striving for greater untying, local ownership and the principle of competitive procurement.

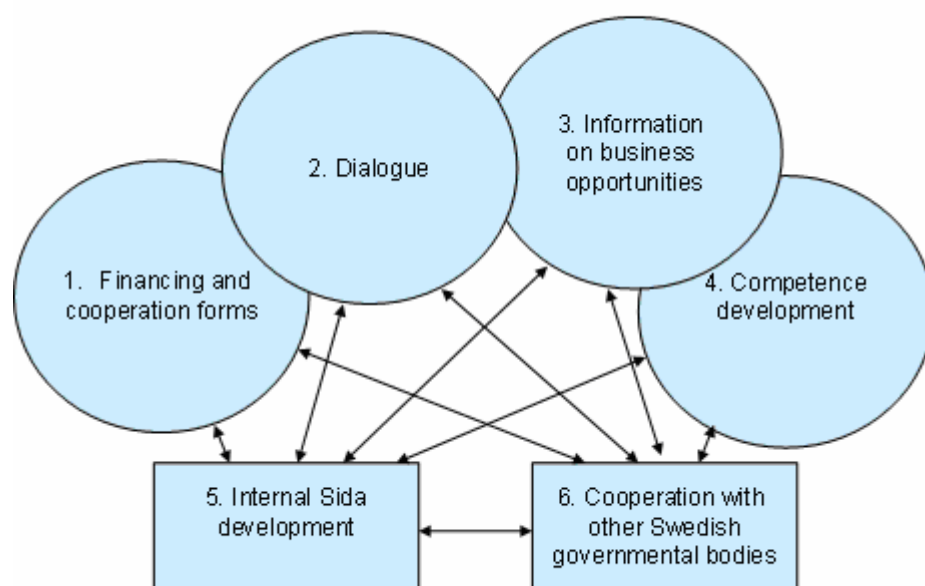
2. Within the above mentioned frameworks, Sida's cooperation with business shall be characterised by creating a win-win-win situation: improved opportunities for poor people, a better business environment for Swedish companies and better conditions for Sida to fulfil its mission.³ Sida can bring about results by using knowledge, competence and capacity from business, through development cooperation and through creating conditions favourable to the establishment of Swedish companies in and the facilitation of trade with our partner countries.
3. Given the general progress of development cooperation, it is unlikely that the scope for the "return flow" of Swedish development cooperation will increase, other than very marginally. As one of several governmental bodies working abroad, Sida's strategy is therefore to help Swedish companies to identify business opportunities in the global development market – and not just focus on Sweden's SEK 30 billion, but increasingly also on the collective development cooperation of SEK 700 billion, in addition to investments made by developing countries themselves.
4. Within the framework of broader cooperation, Sida shall develop contacts and collaboration with Swedish business that should last even after the development cooperation has ended.
5. Sida's cooperation with business shall be in close cooperation with other foreign actors (the Ministry for Foreign Affairs, embassies, the Swedish Trade Council, Swedfund and Sida).

Sida's role is not to promote Swedish business, but rather to listen to knowledge and experience, convey available information, open up broad competition and develop cooperation forms that can take advantage of business initiatives.

7. Action plan

To build better relationships that lead to better results, measures are required within six main areas, four external (1-4) and two internal (5-6):

³ The basis of sustainable business development is well-functioning, corruption-free constitutional states. Sida's contributions in this field lend substantial support to creating good conditions for Swedish business in poor countries.



In the enclosed matrix, a large number of measures are grouped into these six main areas. The matrix shows current as well as proposed measures. The measures should be carried out within three years. Sida's departments and Swedish embassies are primarily responsible for implementation. The Department for Infrastructure and Economic Development (INEC) has been given special responsibility for development, coordination and follow-up.

Below is an outline of purpose of the proposed measures:

1. Development of financing and cooperation modalities

Sida needs to develop cooperation modalities that improve the potential for spreading "far-sighted models and solutions" (Shared Responsibility, p 97) and initiatives by Swedish actors, among others, and which can also be applied when Sweden enters into so-called broader cooperation.

One explicit ambition when Sida was formed in 1995 was that the new authority should be able to effectively combine different instruments to achieve the best results. It appears, however, the different instruments have not been used to their full extent as departments "own" their respective instruments and are not able to combine them all in a creative way. UNIS is also seeking more flexible use of the instruments. Current instruments can be developed and new ones added (such as "challenge funds"). The findings of the Credit and Guarantee Study presented to the Minister for Development Assistance in December 2006 propose a number of changes. Sida/INEC/BS (Division for Broader Cooperation) should be given the

authority to lead an overarching project to further develop its financial instruments.

The agreements into which Sida has entered with some agencies, e.g. “Följsam” [roughly, synchronised], stipulate that the cooperation may *only* refer to the agency’s core area in which the agency in Sweden has unique competence that cannot be bought on the open market. For those parts of the agency cooperation where competence is available on the open market, the respective agency shall procure it. To ensure that this happens, the application of the agency cooperation ought to be revised.

2. Dialogue

A basic prerequisite for goal fulfilment is trustful and focused dialogue that is rich in substance, e.g., in policy development and early in the development cooperation strategy process. The dialogue must take place in both Sweden and in its partner countries.

To create realistic expectations, the government and Sida must communicate Sida’s assignment based on the instruction, annual directives and letter of appropriations, special government decisions and cooperation strategies.

3. Procurement information

Swedish companies have long sought better information about business opportunities in development cooperation. UNIS has also raised this issue (see Åkesson, pp 7-9). The embassies must be able to provide better information about procurement in partner countries, multilaterals and Sida. The Swedish Trade Council has the main responsibility for business information. Sida/INEC, in cooperation with the Swedish Trade Council and the Ministry for Foreign Affairs, should be commissioned to design more efficient routines for disseminating business information.

4. Skills development

Business itself should have primary responsibility for competence development. The Swedish Trade Council is the primary actor in export promotion.

Sida’s role is to supply competence specific to development cooperation and that cannot be bought on the open market. What Sida offers in Stockholm is very limited. Sida Civil Society Center in Härnösand offers a wide range, primarily for NGOs. Much of this range should also be relevant to other actors. Sida/PEO/LÄR should be commissioned to investigate the need and propose what Sida should offer, to whom, where and on what terms.

5. Internal Sida development

Mapping. To be able to prioritise correctly – and follow up – different measures, we need to make a quantitative measurement of how business sees Sida as a partner, what its ambitions are for the developing market, and what the need for competence development looks like. Intended target groups for this study are current cooperation partners as well as those who want to become partners (those that have submitted a tender). This measurement starts out from, and complements, the qualitative profile investigation now being carried out by Sida/INFO.

Knowledge and attitudes. According to external and internal evaluators, far too many Sida employees possess insufficient knowledge of, and negative attitudes towards, cooperation with companies. This is an obstacle to improving relationships with enterprises. To correctly address this problem, Sida must first understand and identify the specific areas that face resistance as well as the extent to which employees lack knowledge. An internal study initiated by Sida/INFO will address this issue in the future. Thereafter, Sida/PEO/LÄR and Sida/INFO ought to be instructed to draw up a strategy on how problems concerning relations with Swedish actors should be tackled, and to integrate measures in Sida's management, competence and communication development. Activities related to this should be integrated with the implementation of the Paris Declaration (results and efficiency agenda) and coordinated with the Ministry for Foreign Affairs.

Sida Business Entry Point. In the same way that NGOs and Swedish authorities have clear entry points to Sida, we also propose that business be given one – a Sida Business Entry Point. It should consist of both automated information distribution (especially on Sida's web site) and delegation of responsibility to specific contact persons within Sida/INEC/BS. However, care should be taken to ensure that business cooperation is not solely handled by Sida/INEC/BS.

Development coordination and follow-up. The responsibility for implementing the proposed measures rests primarily with Sida's departments and Swedish embassies. However, Sida/INEC is given special responsibility for development, coordination and follow-up.

6. Cooperation with other Swedish governmental bodies

The Government has the main responsibility for efficient cooperation between the Ministry for Foreign Affairs, Swedish embassies, the Swedish Trade Council, Swedfund, the Swedish Institute Foundation and Sida, but

good routines for current cooperation must be drawn up – and institutionalised – directly between Sida and other government actors. In particular, it requires good cooperation within and between the embassies.

8. Requirement for clarification and human resources

Some issues require clarification from the Government, especially with regard to the application of different instruments, and to solve the conflict between what is stipulated by cooperation strategies related to the promotion of Swedish interests against the requirements for untying according to EU legislation and the Helsinki and Paris Declarations.

The Government also needs to take a stand on appropriation of human resources: without strengthening Sida's and the embassies' administrative resources, it will only be possible to implement a limited part of UNIS's recommended measures.

According to the UNIS evaluators, "to implement the measures we propose, resources must be allocated to Sida" (UNIS p 5). In the matrix, we have calculated the resources required to implement the prioritised proposals, in person-weeks and person-years:

	Invest	New operation	Invest	New operation	New operation	Total new operation
Embassies			15	160		160
HQ unspec	4	4	30	2		6
INEC/BS	99	40	4	92	80	212
INFO			1			0
EVU/JUR	0		15			0
PEO/LÄR	5		4	30		30
PEO/PER				1		1
POM						0
Sector dept				20		20
Total weeks	108	44	68	305	80	429
Years' work	2,7	1,1	1,7	7,625	2	10,725
Weeks excl Emb	108	44	53	145	80	269
Years' work excl Emb	2,7	1,1	1,325	3,625	2	6,725

For **2007**, the greatest needs are related to developing new financing and cooperation modalities, an investment that primarily affects INEC/BS and EVU/JUR. Other areas requiring attention are business development, control and coordination, which are under the domain of INEC. Given rationalisation gains within the new INEC/BS, resources corresponding to 1.5 person-years are required for the division for 2007.

The major investment for **2008** will be an internal reform process aimed at fostering knowledge and changing attitudes within embassies as well as Sida headquarters. The main area for reform will be the development of new consultation and dialogue routines as well as coordination and dissemination of business information at embassies. For Sida headquarters, new activities will be related to handling new financial instruments and competence development for Swedish actors.

Most of the resource needs for 2008 are “diffuse” in the sense that they are small budget items spread over the entire organisation. Embassies, as well as INEC/BS, EVU/JUR and PEO/LÄR, clearly need additional resources. In regard to INEC/BS, personnel resources used for development in 2007 should be reassigned to Sida’s core activities in 2008. Clear additions should therefore be reserved for embassies, JUR and LÄR – corresponding to just over five person-years – assuming that all other requirements can be “squeezed” into the current activity.

For **2009**, new activity will be related to increased use of new financial instruments.

Together the needs for additional resources for this activity therefore become two person-years in 2007, an additional five person-years in 2008 (of which four are for embassies), and a further two person-years in 2009. This corresponds to approximately 1% of Sida’s administrative appropriation.

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Appendix 1

Sida's approach to Swedish business is based on the Director General's decision of 21/09/2006 Position paper on Sida's approach to Swedish actors including fundamental principles for broader cooperation, from which the following summary is taken:

"Sida is a central, administrative authority for Sweden's bilateral development cooperation. In this work, Sida shall make use of experiences and knowledge in Swedish society within administration, business, trade union movements and NGOs. In addition, Sida shall also use **opportunities for cooperation with other donor countries and international organisations** in development cooperation.⁴ This was part of Sida's instruction even before the decision on a new Policy for Global Development (PGD).

"PGD involves a change in which it increases interest by Swedish actors⁵ in cooperation with Sida. Sida should also contribute to stimulating this interest. Cooperation with Swedish actors takes place *partly through contributions in development cooperation* and partly through increased information and experience exchange with other actors in other policy areas.

"For development cooperation, PGD entails **tighter focus on poverty**, which also applies to cooperation with Swedish actors. The goals and principles of development cooperation, e.g., demand side management, also apply to this cooperation.

"Sida has much use of the knowledge and the experiences within the Swedish resource base. We shall strengthen our **cooperation** with and give greater priority to communication with actors in Swedish society. Sida's support for competence development for the Swedish resource base shall also be strengthened. We shall **look for synergies** that contribute to an attuned Swedish policy. At the same time, we also have a responsibility to **recognise conflicts of interest** that arise between PGD and other policy areas."

The following quotes from the above-mentioned position paper are particularly relevant to the relationship with Swedish business:

- Sida shall meet the changes within development cooperation (e.g., untying) "by making it easier for Swedish actors to take part in international competition, e.g., by spreading information about procurement within Swedish development cooperation. Sida shall also increase the support for competence development for Swedish actors. Alliances between the Swedish resource base and the local resource base will become more important and shall be valued clearly."
- "As there may be more than one actor that can carry out an assignment, procurement shall be in accordance with Sida's rules and regulations."
- With regard to broader cooperation, development cooperation shall be of a "catalytic nature" and be "limited in terms of time". "Sida is given a greater role for contact creation and dialogue, e.g., by acting as mediator between actors in Sweden and the partner countries."
- "Meetings shall be held in the field with representatives for the different categories of actors, at least once a year."
- "Staff in the field ought to present information on future procurements within Swedish development cooperation and existing information on other donors' development cooperation to make it easier for Swedish actors to take part in international competition."

⁴ Ordinance (1995:869) with an instruction for the Swedish International Development Cooperation Agency (Sida).

⁵ Swedish actors refers to actors in Swedish society, within NGOs, business or public actors that are active in development cooperation or whose activity is important to global development.

- "As a consequence of PGD, Sida will strengthen the work on competence development for Swedish actors."