

Ministry for Foreign Affairs

Focused bilateral development cooperation

This paper presents background information on the country focus process, including a brief account of the aim, procedure, outcome and process forward. It is intended to serve as a paper that can form the basis for presentations and external contacts concerning the country focus approach.

Country focus – a means of making development cooperation more effective

Sweden's development cooperation must be characterised by quality, effectiveness and efficiency. The Government is currently carrying out extensive changes so as to make development cooperation more effective. The aim of the reform efforts is increased goal realisation in the form of reduced poverty and achievement of the Millennium Development Goals. Some examples of the measures being carried out are enhanced management by results so as to clarify management and systematise follow-up of results compared with established goals; increased sector concentration; review of aid forms as well as budget support and multi-actor cooperation; and strategic management of multilateral development cooperation.

Country focus is to be viewed as one of several measures being taken to increase effectiveness, efficiency and quality in Swedish development cooperation. Through the country focus approach, Sweden can strengthen partnership with our most important partner countries and continue to be a leading donor with high quality development cooperation, without increasing the administrative resources used to steer and carry out development cooperation. In this way, enhanced poverty reduction will be achieved. Since resources will be freed, deeper involvement in the areas where Sweden continues its cooperation will become possible.

Why the country focus approach? Background and considerations

Sweden as part of the international donor community: implementation of the Paris Declaration

Global development assistance flows have grown in recent years. Further increases are planned, for example by several major western countries. In addition, new donors are appearing, such as China. For the world's poor countries it is positive that more resources are being allocated to support their work in fighting poverty. At the same time the administrative burden is increasing for every recipient country. It is not unusual for 30–40 bilateral and multilateral donors to be active in the same country, as well as a large number of international non-governmental organisations. This situation is untenable in the long run. Efficiency measures are necessary in order for the planned expansion of total international development cooperation to be possible at all. There is limited capacity in several partner countries to manage the development cooperation currently received in an altogether satisfactory manner.

Implementation of the Paris Declaration is therefore a central priority of Swedish development cooperation. It is partially a matter of limiting each donor's efforts to fewer sectors and fewer partner countries. The aim is to identify each donor's comparative advantages, and in the long term to achieve a division of labour that economises on resources both for the partner country and the donors.

Swedish development cooperation: increase in the number of partner countries

Over a number of years Swedish bilateral development cooperation has expanded to more and more countries and sectors without a coordinated assessment being made of where we should be and why. At present Sweden conducts bilateral development cooperation with a total of 125 countries¹.

Just under half of them – about 55 countries – receive support that can be given with limited administrative resources and often without field presence. This applies, for example, to humanitarian aid and support via Swedish non-governmental organisations and minor initiatives in the context of contract-financed technical cooperation and international courses.

¹ Including 10 countries not considered as ODA countries by the OECD/DAC.

In the remaining countries – 67 in all – government aid operations that are more personnel-intensive and of a certain volume are conducted. In 2006, these operations amounted to some SEK 9 550 million. They are usually governed by a cooperation strategy² and may involve both long-term development cooperation with our traditional partner countries, reconstruction support to conflict countries and aid to countries undergoing system changes in Eastern Europe.

Some of the increase can be explained by the support for democratisation and system change that Sweden has given to a large number of countries in Eastern and Central Europe since the beginning of the 1990s. In addition, countries in Africa, Asia and Latin America have been added. Sometimes Sweden has introduced aid during or after a conflict or natural disaster, which has thereafter evolved into more long-term development cooperation. On other occasions countries have been added after they have started a process of democratisation.

In the period from 1988 to 2005, the percentage of total Swedish bilateral aid that went to our 20 largest partner countries fell from 90 to 45 per cent. This was a result of Swedish aid being spread among more countries. The consequence of this is that our role as donor to a number of countries has changed, in particular as total international aid volumes have continued to increase. Up to the beginning of the 1990s, Sweden was one of the two largest and hence most prominent donors in Tanzania, for example. Today Sweden is the seventh largest donor in a growing circle. Sweden is still an important actor, but our opinions no longer carry the same weight. Our priorities cannot automatically command attention in the dialogue between donors and partner countries when we are at best a medium-sized donor in a large circle of donors.

At present we have a situation where Sweden has spread aid resources over a large number of countries and sectors, without sufficient focus. But Sweden cannot do everything, everywhere. Caring about quality in development cooperation requires that we review the possibilities of using our resources in bilateral development cooperation in a more concentrated and well thought-out way.

Fewer countries as a means to more effective development cooperation

The country focus approach contributes to better quality and effectiveness in development cooperation on several levels. Focusing aid on fewer countries means that Swedish aid management can be

² Or similar documents such as guidelines and codes of conduct.

rationalised. Resources can be concentrated on managing a smaller number of countries, which provides the conditions for better quality throughout the aid management system, both at home and in the field. In line with the Paris Declaration, Sweden's phasing out of aid to certain countries means that the administration in these countries will be able to administer the aid provided by the remaining countries in a more effective manner. In other words, Sweden can be considered to be taking its share of the responsibility for achieving the goals of the Paris Declaration. One condition for this is that continued close dialogue with other aid donors takes place and that a reasonable division of labour between donors is achieved.

How was the process carried out? From analysis to implementation

During 2007, a comprehensive analysis has been made of the potential for successful development cooperation with the countries in which Sweden is involved. The work has been thorough, involving large parts of the Swedish aid management system. The choice of partner countries has been based on an overall assessment of a large number of central factors to identify countries where Sweden has special qualifications for conducting development cooperation. Some 20 indicators have been analysed. These have been applied systematically, but have had varying degrees of impact on the overall assessment of each country. The analysis for each country has been based on four fundamental questions.

Firstly, the assessment has been based on the needs of the individual partner country: **How extensive is the poverty and where are the needs greatest?** In this, factors such as the average income, infant mortality, income distribution and the access of girls to formal education are part of the assessment.

The second question has dealt with whether conditions exist that allow aid to actually lead to reduced poverty: **What expectations can we have regarding the effectiveness of our aid?** The most important aspect has been whether the country's own development policy can be expected to lay a foundation for growth and reduced poverty, and also whether the country can be described as having good governance and that corruption is being combated.

The third question has concerned democracy and respect for human rights: **Is democratic development going in the right direction and do we otherwise have the potential to influence it?** The degree of political democracy, the extent to which conventions on human rights are complied with and the role of civil society in the country's democratic development are examples of specific areas that have been analysed.

The fourth question has focused on whether Swedish aid has added value in relation to the individual partner country. **How can Sweden help?**

Important factors have been the country's demand for Swedish expertise (from the business sector, government agencies or organisations) as well as Swedish comparative advantages and Swedish know-how in relation to other donors.

In addition, Sweden's overall links with each country have been considered.

Stakeholder meetings and seminars have been held with the aim of collecting viewpoints from Swedish aid actors. The assessment factors have then been weighed together and analysed prior to the final selection of partner countries.

Outcome of country focus

The overall outcome of the country focus process is:

- A stronger focus on Africa. This continent has the greatest need of support for poverty reduction. The prospects of achieving the Millennium Development Goals are poorest compared with other regions. Africa is the most affected by conflicts, HIV/AIDS and the risk of starvation.
- A stronger focus on Europe. As former Soviet states and countries in south-eastern Europe continue to establish closer ties with the European Community, the conditions are created for reducing poverty in these countries, which is necessary for promoting a democratic and stable Europe.
- A stronger focus on peace and security. We will maintain and further develop cooperation with the majority of states in a conflict or post-conflict situation.
- A stronger focus on democracy and human rights. Stable democracies characterised by good governance in which the individual's rights and freedoms are respected are a prerequisite for sustainable development in keeping with human dignity. We will retain our strong involvement for democratic social development in several states with a serious democratic deficit.
- We will conduct selective cooperation in certain countries in Africa and Asia where regular development cooperation is phased out. These are

countries in which we see a value in promoting various forms of multi-actor cooperation. In these countries, targeted aid efforts may be considered in such areas as the environment, HIV/AIDS, human rights or combating corruption.

In summary, the country focus approach means that our involvement in sub-Saharan Africa and Eastern Europe will increase while we will reduce our presence primarily in Latin America and to some extent in Asia. This is mainly due to the fact that needs are greatest in Africa.

We will retain our significant involvement in the Middle East.

The starting point has been to focus cooperation to countries in which Sweden has the best potential to contribute to development, and to create scope for initiatives in countries in which Sweden can be expected to do the most good and contribute more deeply to the country's poverty reduction efforts. In this way we free resources for more effective poverty reduction and measures in prioritised areas, such as democracy/human rights, gender equality and environment/climate.

The countries

The country focus approach means that bilateral development cooperation will focus on just over 30 regular partner countries. In addition, our work in support of democracy and human rights will be strengthened in a small number of countries where aid will be conducted in forms other than regular state-to-state cooperation.

The regular partner countries have been divided into categories (1–3 below) so as to clarify the reasons for Sweden's presence, which contributes to greater effectiveness by providing understanding as to why Sweden is involved in cooperation. For various reasons, the countries can be moved between different categories. Moreover, cooperation with an individual country can have features from two categories. There will be variations in Swedish cooperation in each category; the main similarity will be found in the approach and reason for Sweden's involvement.

The results are as follows:

1. Countries with which Sweden will conduct long-term development cooperation (12)

We will strengthen our focus on poverty reduction by deepening cooperation – where Sweden is considered to contribute value – with a number of countries in Africa, Asia and Latin America in their struggle against poverty. Geographically, our focus on Africa will be

strengthened. We will support the construction of working central administrations and democratic governance, both in countries that already have positive democratic development and in countries where Sweden is considered to have the potential of influencing development in the right direction.

- Africa: *Burkina Faso, Ethiopia, Kenya, Mali, Mozambique, Rwanda, Tanzania, Uganda, Zambia*
- Asia: *Bangladesh, Cambodia*
- Latin America: *Bolivia*

2. Countries in conflict and/or post-conflict situations with which Sweden will conduct development cooperation (12)

We will strengthen our focus on peace and security by maintaining and further developing cooperation in central development areas with the majority of states in a conflict or post-conflict situation. This requires special and flexible measures that are considered necessary despite a great risk for setbacks.

- Africa: *Burundi, Democratic Republic of the Congo, Liberia, Sierra Leone, Somalia, Sudan*
- Asia: *Afghanistan, Timor-Leste*
- The Middle East: *Iraq, West Bank-Gaza*
- Latin America: *Colombia, Guatemala*

3. Countries in Eastern Europe with which Sweden will conduct reform cooperation (9)

We will strengthen our focus on Europe through deeper cooperation that aims at facilitating EU integration and thereby strengthening poverty reduction and reform efforts in our immediate region.

- Europe: *Albania, Bosnia and Herzegovina, Georgia, Kosovo, Former Yugoslav Republic of Macedonia, Moldova, Serbia, Turkey, Ukraine*

The overriding goal of all Sweden's development cooperation is to help create conditions that will enable the poor to improve their lives. We will strengthen our focus on democracy and human rights in all three country categories. There is inherent value in respect for human rights and democracy, and in addition it helps lift countries out of poverty. We will therefore strengthen our involvement for democratic social development in several states with serious democratic deficits.

4. Countries in which Sweden will conduct alternative measures to promote democracy and human rights

In certain countries with which regular state-to-state cooperation is not possible or desirable, special support to democracy and human rights will be given in alternative forms. Measures to promote democracy can be

designed in different ways and must always be adapted to the country's specific situation. In most cases, aid can be channelled to non-governmental organisations and forces in civil society that work for democratic openness. In other cases, where, for example, civil society is small or non-existent, it is a matter of communicating knowledge about democracy, human rights and the market economy. In this way valuable interfaces for dialogue and influence will be created.

5. Countries to be phased out in which Sweden will conduct selective cooperation (7)

In some countries in which Swedish development cooperation is phased out, Swedish involvement will take new forms. This will take place during a transitional period in a number of countries through selective cooperation in prioritised areas such as environment and democracy/human rights. Limited funds from the aid budget will be used for this, not least to help various forms of multi-actor cooperation (formerly broader cooperation).

- Africa: *Botswana, Namibia, South Africa*
- Asia: *India, Indonesia, China, Viet Nam*

6. Countries to be phased out in which relations will be promoted in ways other than via bilateral development cooperation (23):

- Africa: *Angola, Côte d'Ivoire, Malawi, Nigeria*
- Asia: *The Philippines, Laos, Mongolia, Pakistan, Sri Lanka, Thailand*
- Latin America and the Caribbean: *Chile, El Salvador, Haiti, Honduras, Nicaragua, Peru*
- Europe: *Armenia, Azerbaijan, Kyrgyzstan, Montenegro, Tajikistan, Russia*
- The Middle East: *Lebanon*

In some of the countries the phase out has already begun.

In two countries, *Lebanon* and *Pakistan*, measures are being carried out today in the form of temporary reconstruction support. Long-term cooperation will not be initiated with these countries.

One important reason why development cooperation is being phased out is an assessment that Sweden cannot contribute as effectively in these countries as in the countries on which the Government intends to focus cooperation. In many cases aid works well in the countries being phased out, but compared with the remaining partner countries, the same potential for increased and strengthened cooperation does not exist.

Sweden will maintain and develop relations in various ways with countries in which development cooperation is phased out.

Forms of aid that will not be affected

Humanitarian aid, multilateral aid, support to Swedish non-governmental organisations via the frame organisations, independent research cooperation and certain other forms of aid will not be affected by the country focus approach, as aid of this kind follows principles other than those that apply to country-related aid.

The country focus process and freed resources

The country focus approach is not a measure for cutting costs, but rather aims to promote effectiveness development cooperation in the countries in which Sweden chooses to focus its measures. In this way, enhanced poverty reduction will be achieved. Since resources will be freed, it will be possible to become more deeply involved in the areas where Sweden continues its cooperation. These freed resources will be used for the remaining partner countries and for measures in areas prioritised by the Government, with poverty reduction as the overriding goal. Remaining low-income countries in which Swedish development cooperation is expected to do the most good will be prioritised. The distribution of funds between bilateral and multilateral channels will, in the future, be the subject of an overall assessment of where and how the aid can achieve the best development effects. Accordingly, it is a question of redistributing aid funds and personnel resources, not reducing development cooperation.

How do we move forward? The process ahead

Focus countries

In 2008, attention will be given to work on developing forms of cooperation with prioritised countries. This will take place within the framework of cooperation strategy processes or corresponding processes.

Resources (both aid funds and personnel resources) will gradually be freed as aid to the countries affected is phased out. In dialogue with representatives of the focus countries, a decision will emerge as to how Swedish aid to the relevant country is to be designed. Adjustments will be necessary to the processes taking place in the countries concerning donor coordination, not least questions concerning division of labour. Development of the Government's thematic priorities will be possible in coming cooperation strategies; alternatively it will be possible to strengthen existing strategies.

Countries being phased out

The work to phase out bilateral development cooperation – or move to other forms of cooperation – in a responsible manner will be initiated in 2007. The arrangements for phase out and transition to other cooperation will be adapted to each country's specific situation and conducted in dialogue with the partner countries and relevant donors.

Special strategies will be developed for these processes. The following principles will guide the work to develop special phase out strategies adapted to each country's specific situation:

- fulfilment of contractual conditions;
- opportunities to find suitable transition mechanisms (transfer to local partners or other donors) for ongoing projects and programmes;
- handling investments that have been made carefully so that as far as possible, the sustainability of projects and programmes is not adversely affected; and
- clarity regarding phase out periods which in ordinary cases should not exceed three years.

We also feel it is important to hold a dialogue in close cooperation with non-governmental organisations on how the phase out is to proceed in the countries that each organisation is involved in and how the best use can be made of experiences, results and established networks.

The effects of country focus will become clear in the medium term, as resources can be freed and made available to the remaining partner countries. The phase out will only have minor repercussions for development cooperation in 2008. Major changes will begin to be implemented in 2009 and 2010.

Continued reviews

The work on country focus described above is being carried out so that, in a coordinated manner, the number of partner countries can be reduced and thereby the quality of aid increased. There are plans to conduct similar reviews in the future. The primary aim then will not be to reduce the number of countries but rather to adjust the Swedish aid portfolio on a fairly regular basis.

Consequences for Sweden's foreign representation

As a consequence of the country focus approach, some changes will be made in Sweden's foreign representation. These changes are also linked to the general review of foreign representation that is being conducted

alongside the work on country focus. In some cases, Sweden may need to strengthen its presence in the countries where we choose to continue our cooperation. At the same time changes will be made concerning aid representation in countries to be phased out. It should, however, be pointed out that the country focus approach is just one, albeit important, factor affecting the ongoing review of Sweden's foreign representation.

The country focus process and the continued management of cooperation strategies

Even if a great deal of attention is directed to the decision as to which countries Sweden will cooperate with, a substantial amount of work will remain after the actual decision. One important question during autumn 2007 is the management of the cooperation strategies that have been frozen during the country focus process. A review is under way of the countries for which strategy decisions can and should be taken as soon as possible, and countries for which new cooperation assignments, or alternatively phase out, are to be formulated. The geographical departments concerned need to make an in-depth country-specific assessment in August. These assignments will be formulated in accordance with the supplement to guidelines for cooperation strategies that is currently being developed.

Contacts with other donors

A discussion on increased focus regarding countries and sectors is underway in EU circles. EU ministers for international development cooperation decided on a code of conduct at the GAERC meeting in May 2007, which will guide the work on an increased division of labour between donors.

At a number of international and bilateral meetings, Sweden has explained the ongoing country focus process and has studied like-minded donors' previous experience of country focus exercises. During the autumn, concrete discussions will be held with several donors regarding countries with which Sweden intends to either deepen or phase out its cooperation.

Contacts with stakeholders

During the autumn the Government will invite stakeholders in Sweden to discussions on the design of development cooperation with Sweden's partner countries.