

Nordic Plus

Barriers to delegated cooperation

Joint assessments of policies and administrative practices of the Nordic Plus donors

Revision 1 (with inclusion of Finland)

September 2006



COWI

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Table of Contents

Executive summary	5
1 Introduction	11
1.1 The harmonisation agenda and DC	12
1.2 Harmonisation among the Nordic Plus donors	15
1.3 Approach	16
2 Joint assessment	20
2.1 Assessment matrix	20
2.2 Overall policies	22
2.3 Operational policies	25
2.4 Donor harmonisation efforts	28
2.5 Organisation and management	29
2.6 Programme management	30
2.7 Approval	32
2.8 Agreements with partners	34
2.9 Accountability and sanctions	35
3 Conclusions: Barriers and opportunities to DC	37
3.1 A predominance of similarities in policies and administrative requirements	37
3.2 There are clear differences	38
3.3 Differences in policies and policy requirements	40
3.4 Different legislative spending requirements	41
3.5 Variations in country analysis	41
3.6 Decentralised decision-making	41
3.7 Differences in programme planning and implementation	42
3.8 Financial management	42
3.9 Capacity development and use of technical assistance/technical cooperation	43
3.10 Policies for responding to non-adherence to Agreements	43

4	Increasing the number of DC arrangements - issues arising on the way forward	44
4.1	DC and improving the "division of labour"	44
4.2	Centrally driven DC arrangements	45
4.3	Locally driven DC arrangements	45
4.4	Risks factors and incentives	46

Table of Annexes

Annex 1 - The development policies and procedures of Denmark

Annex 2 - The development policies and procedures of Finland

Annex 3 - The development policies and procedures of Ireland

Annex 4 - The development policies and procedures of the Netherlands

Annex 5 - The development policies and procedures of Norway

Annex 6 - The development policies and procedures of Sweden

Annex 7 - The development policies and procedures of United Kingdom

(The annexes are presented as separate reports)

List of Abbreviations and Acronyms

CFAA	Country Financial Accountability Assessment
CIDA	Canadian International Development Agency
COCA	Checklist for Organisational Capacity Assessment
CPAR	Country Procurement Assessment Report
DC	Delegated Cooperation
DCI	Development Cooperation Ireland
DFID	Department for International Development, UK
DFID CAP	DFID Country Assistance Plan
JAS	Joint-Assistance Strategies
JFA	Joint-Financing Arrangements
MDG	Millennium Development Goals
MOU	Minutes of Understanding
NGO	Non-Governmental Organisation
OECD/DAC	Organisation for Economic Co-operation and Development/Development Assistance Committee
PER	Public Expenditure Review
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
Sida	Swedish International Development Agency
SWAp	Sector-Wide Approach
TA	Technical Assistance
UK	United Kingdom

Executive summary

This report examines the policy and administrative barriers to DC of seven Nordic Plus donors (UK, The Netherlands, Finland, Sweden, Norway, Ireland, and Denmark). It is guided by the aim to establish the basis for lowering these barriers and increase the number of DC arrangements.

The original assessment of six Nordic Plus donors was commissioned by Norad on behalf of the Nordic Plus; this was published in June 2006. The current version is a revision with the inclusion of Finland in the assessment. No alterations have been made to the description and assessment of any of the other donors in this first revision. The assessment has been performed through desk reviews, interviews with staff at the donor headquarters, distribution of a questionnaire, and joint-sessions to agree on methods and the basis for assessment. The assessment is based on a joint-agreed framework of policy and administrative issues to consider.

The main conclusions and recommendations of the assessments are as follows:

There is a high degree of similarity in the policies and administrative procedures of the seven Nordic Plus donors reviewed. The similarities relate to the major policy priorities, issues related to country programme approaches, aid modalities, decentralised operations, programme cycle management, and use of agreements. This general similarity to a large extent reflects that these "like-minded" Nordic Plus donors are all active supporters of the international declarations on poverty reduction and aid effectiveness.

But obviously differences between the Nordic Plus donors can be found, also in areas that may affect the opportunity for two or more donors to establish a DC arrangement. It is not the mandate of this assessment to conclude if a particular difference also constitutes a barrier to DC between two donors, especially considering the general commitment of the donors to apply their own procedures flexibly for the benefit of harmonisation. Only the donors themselves will be able to make that decision. However, the assessment identifies the major differences and offers recommendations aimed at preventing that the differences turn into barriers.

The following matrix presents an overview of the main differences between the donors¹. It may be used as a quick reference guide for staff in the donor agencies for identifying potentially significant differences between them that deserve attention when specific DC-arrangements are being planned. The report, including the individual donor assessments in the annexes, elaborates in more detail on the differences between the donors. It is the hope that the report will help donor staff to quickly identify and address the important differences in each case and prevent the differences from becoming barriers to DC.

¹ Explanation to the matrix: A full dot indicates that a donor has a specific requirement or lives up to a specific demand as stated in the left column. A dot in brackets means that a donor only partly lives up to the requirement or has the demand (e.g. Norway does not explicitly demand a LFA approach for a programme document but on the other hand requires that objectives, outputs expected and activities planned are clearly presented). A - indicates that the donor does not have the specified demand or lives up to the requirement.

	Norway	Ireland	United Kingdom	Sweden	The Netherlands	Denmark	Finland
Poverty reduction objective	●	●	●	●	●	●	●
Expressed link to MDGs	●	●	●	●	●	●	●
Coherence of policy issues	●	●	●	●	●	●	●
Priority sectors and themes	<i>Governance, environment, gender, energy, peacebuilding</i>	<i>Education, health, water, governance, private sector, HIV/AIDS</i>	-	-	<i>Education, health, HIV/AIDS, environment and water</i>	<i>Agriculture, health, education, water/sanitation, transport, environment, business</i>	-
Themes that cut across sectors	<i>Gender, environment, HIV/AIDS</i>	<i>Gender, Governance, HIV/AIDS Environment</i>	<i>Governance, gender, conflict, HIV/AIDS</i>	<i>Perspectives: - the poor -rights. Central components: Democracy and good governance, human rights and gender. Sustainable dev: environment, econom. growth, social development Others: conflict-prevention, global common goods</i>	<i>Sustainable development, business sector, reproductive health, HIV/AIDS, Governance</i>	<i>Cross-cutting: Gender, Governance, Environment, Themes: globalisation, conflict, children and youth, HIV/AIDS</i>	<i>Gender, rights and equal participation of marginalized groups, environment</i>
Environmental assessment required	●	-	●	●	-	●	(●)
Operational Policies							
Adheres to aid effectiveness	●	●	●	●	●	●	●
Guidelines for DC (besides Nordic + guide)	-	-	(●)	●	●	●	-
Assessment tools for country analyses	-	(●)	(●)	(●)	●	(●)	-
Assessment tools for aid modalities	(●)	-	(●)	(●)	●	(●)	-
TA in capacity building highlighted	-	-	●	-	-	●	(●)
Organisation and Management							
Decentralisation	●	-	●	●	●	●	(●)
Decision-making in field	<i>Unlimited based on annual plan</i>	<i>Less 100.000 EURO</i>	<i>Depends on authority level of head</i>	<i>Based on annual plan</i>	<i>Based on annual plan</i>	<i>Less 5 mio. DKK</i>	<i>Limited apart from pilot embassies</i>
Decisions in HO	<i>MoU, Budget support</i>	<i>All above 1000.000 EURO</i>	<i>Depends on level of staff</i>	<i>Budget support</i>	<i>Budget support</i>	<i>Over 10 mio. DKK to board</i>	<i>Main Responsibility</i>
Programme Management							
Partner responsible for programme development	●	-	-	●	(●)	-	-
Concept note required	●	-	●	●	-	●	-
Programme doc. LFA-based	(●)	●	●	●	●	●	●
Organisational assessment tool	-	-	(●)	(●)	●	-	-
Budget assessment uses joint standards (WB etc.)	(●)	●	(●)	(●)	(●)	(●)	(●)
Independent appraisal required	● + 50 mio. NOK	-	-	-	-	● + 30 mio. DKK	●
Reviews required	● Mid-term & end 50 mio. NOK	-	-	-	●	●	(●)
Annual programme meeting required	(●)	-	-	-	-	●	-
Reporting and work plan minimum	● Annual	-	-	-	●	● Annual	-
Completion report mandatory	●	●	●	-	●	●	●
Monitoring							
Result measurement linked to MDGs, PRSP, nat. sector monitoring	●	●	●	●	●	●	●
Evaluations follow DAC guidelines	●	●	●	●	●	●	●
Agreements							
Use of Nordic+ JFA	●	●	●	●	●	●	●
Use of Treaty-language	●	-	-	●	-	●	●
Financial management							
Budget calendar year and specify	● (Carry over to next) By country	● By sector in partner country	● By country	● By region	● By policy themes	● By country and sector	● Bilateral framework
Cash (c)- or accrual (a)-based accounting	c	c	a	c	c	a	a
Result management required	●	-	●	●	●	●	-
Audit by international standards	(●)	●	●	●	●	●	●
Prior disbursement on request	●	●	-	●	●	●	●
Anti-corruption analysis required	●	-	(●)	●	-	(●)	●
Accountability							
Clear guidelines for response to non-adherence to agreements	-	-	-	-	●	-	-

The following sections highlight the most important differences and recommendations on how to deal with them.

Overall Policies:

There are differences in some of the detailed policy priorities of the donors, aspects where policy coherence is required, and the definition and role of cross-cutting issues and thematic priorities. Lack of clarity between donors on the meaning and choice of these priority issues may constitute a barrier to DC. In this respect, some donors have absolute demands particularly concerning environment (Sida, DFID, and Danida).

- **It is recommended that the Nordic Plus group should reach an agreement on 1) priority issues that *must* be considered in all cases (e.g. gender, HIV/AIDS, governance, environment) and those that may be analysed *when relevant*, and 2) common standards and guidelines to address the issues.**

Operational Policies:

Donors differ in the approach to analysis as a basis for country strategies, aid modalities, and programmes/projects, which may affect opportunities for DC by 1) disqualifying donors with less exact or different approaches or 2) by not supporting the shared understanding necessary for close cooperation around DC. It is also clear that "shared" analysis may not only affect the possibilities for DC but also the overall possibility for division of labour in a country.

- **It is recommended that the Nordic Plus donors decide on a country specific basis to what extent coordinated or common approaches to analysis (including analysis of political developments) may help promote DC and other harmonisation efforts.**

The Nordic Plus donors are increasingly focused on capacity building as a key element of development assistance, but they differ in the expressions of the role and approach to using TA as part of capacity building. Some donors signal the preference of a reduced TA role while others highlight TA up-front as an important element of capacity building. At the same time donors agree on a set of broad principles for use of TA (untied, pooled, demand-driven) and efforts are underway within the Nordic Plus to develop a common, operational approach to capacity building within the broader principles of the OECD/DAC initiatives.

- **It is recommended as part of the on-going effort to develop a common approach to capacity building among the Nordic Plus that attention is given to agreeing on the principles for use of TA.**

Programme Management:

Some donors express a clear demand for partner country institutions to assume the main responsibility for programme planning while others seem to keep programme planning as a task undertaken mainly by the donor.

- **It is recommended in relation to the planning of concrete DC arrangements to verify that the participating donors agree on the approach to partner involvement in programme planning.**

Donors use different procedures for appraisals, including whether appraisals are treated as separate steps in the formulation process and in the extent to which the same individuals are involved in both the planning and appraisal steps.

- **It is recommended on a case-by-case basis to ensure that appraisals relating to DC arrangements are based on an agreed appraisal procedure between the involved donors.**

Capacity analysis of the recipient institution is fundamental to all Nordic Plus donors as a basis for the decision of whether or not to support the institution. At the same time donors use different approaches to capacity analysis, which could become a barrier to DC to the extent that they are based on different criteria.

- **It is recommended that common criteria for assessing partner capacity are developed among the Nordic Plus partners.**

Agreements:

There are differences on certain financial management requirements of the donors, however, all donors also highlight that own procedures should be applied flexibly for the benefit of harmonised initiatives. Also, joint-templates (Nordic Plus JFA) have been developed, which will serve to address any financial management differences between the Nordic Plus donors when working together. The Nordic Plus template for DC arrangements should also remove differences on arrangements between Nordic Plus donors on DC.

- **It is recommended that the Nordic Plus donors refer to and make use of the already developed Nordic Plus JFA and finalise the completion of the template for DC arrangements between Nordic Plus partners.**

Accountability and response in case of non-adherence to agreements:

Donors agree on the broad principles for how to respond to non-adherence by partner governments to agreements, but not all donors have specified their policies in relation to the response mechanisms. Lack of specification of response policies or mechanisms could be a barrier to DC for donors whose responsibility for responding to cases of fraud, corruption or other forms of mismanagement is linked directly to the Minister. At the same time it is noted that efforts are already underway within the Nordic Plus, which have the potential to lead to the development of a common approach to use of conditionalities.

- **It is recommended that the on-going efforts in the Nordic Plus to develop a common position on the use of conditionalities/responses are translated into a common guideline on response mechanisms in case of non-adherence to agreements by partner governments.**

Other Issues:

In addition to the examination of policy and administrative barriers to DC, the assessment also briefly touched on other issues of relevance when considering barriers to DC.

Briefly these issues are:

- In practice DC is emerging as a "stepping-stone" towards division of labour. As donors find it challenging to completely pull out of sectors, the number of DC arrangements may increase with the increase in joint-assistance strategies now being embarked on. In these situations, removing the administrative barriers to DC remains highly important.
- In some situations DC emerge as a response to centrally driven policy priorities reflected in "input" targets for themes or sectors. A significant push for DC arrangements may be expected from donors with such input targets and for donors with rapidly increasing aid budgets. A possible barrier in this context may be the capacity of the receiving donors to take on the role as "leads".
- Many DC arrangements may emerge as "grass root" initiatives where two or more country level representations exploit a specific opportunity to collaborate. Locally driven, not always following any standard DC formats, but often creative solutions by country level staff are the typical features of these DC cases. The issues arising include 1) creating standardised frameworks to guide such local initiatives, and 2) learn from the practical barriers encountered and disseminate lessons.
- Though not systematically examined in the assessment, various types of "risks" and incentives have surfaced as barriers to DC during the assessment. These include political, institutional, and individual incentives favouring or working against DC. The incentives work from headquarters down to the individual staff at the country level representation. No basis exists for this joint-assessment to conclude on how risks and incentives may be barriers to DC, or how important they are. More information on this can be found in the two other outputs of this assignment, namely the study on Lessons Learnt (COWI, June 2006) and the Practical Guide to Delegated Cooperation (COWI, June 2006).

1 Introduction

This report examines possible major barriers to engage in delegated cooperation (DC) among the Nordic Plus donors. DC is a type of donor collaboration where one or more donors give a "lead" donor authority to manage part of their development assistance.

Why examine the barriers to DC?

DC is considered to be a type of harmonisation with significant reductions of transaction costs. Hence, a partner government needs to invest time and resources in dialogue only with a single donor, and donors are able to increase funding to particular priorities without increasing their administrative input. Because of the benefits several DC arrangements already exist among the Nordic Plus (and other donors). However, among the Nordic Plus donors the perception is that even more DC arrangements could be established if certain policy and administrative obstacles were removed.

Therefore, in 2003 when the Nordic Plus donors drafted their Harmonisation Action Plan "to take harmonisation one step further" a decision was made to include an activity with the aim of promoting DC. The focus of the activity was to lower the barriers to DC, a task which Norway assumed leadership of. In the process that followed, the Nordic Plus donors worked with the consultants engaged to facilitate the process in agreeing on an assessment approach and carry out the joint assessment.

In addition, three outputs were produced in support of the goal of "lowering barriers to delegated cooperation", namely

- A joint assessment of the Nordic Plus agencies to facilitate the requirement of most donors that the organisation and procedures of the lead donor must be assessed and approved as a basis for delegating the aid administration² to that donor. (June 2006)

²Barriers to Delegated Cooperation. Joint Assessments of policies and administrative practices, COWI A/S, commissioned by Norad on behalf of the Nordic Plus. November 2005

- A study of Lessons learnt on practical obstacles, "risk factors" and successes in the planning and implementation of delegated cooperation arrangements (June 2006)³
- A Nordic Plus harmonised practical guide directed at field offices in the planning and implementation of delegated cooperation (June 2006)

The joint assessment consists of one main report and seven country annexes. The main report begins with a brief account of the main issues of DC to be considered as a basis for identifying the barriers and an explanation of the approach and assessment framework used to define the barriers (chapter 1). Chapter 2 is the "joint assessment" of the Nordic Plus partners, including a matrix of similarities and differences. In chapter 3 we define the "barriers" to DC, but also highlight the opportunities. Finally, in chapter 4 we contribute with a broader set of perspectives on issues to be considered for the way ahead when applying DC.

After the final report dated June 2006, Finland decided to join the assessment. The present joint assessment is a revised version of output one with the inclusion of Finland. No alterations have been made to the description of any of the other donors in the report.

The annexes are an important part of the report. Each appendix contains a systematic outline of a Nordic Plus partner's policies and practices, including an outline of key agency specific issues. While the main report will point to differences and potential barriers between all seven agencies, more details on each Nordic Plus partner can be found in the annexes.

During the assignment the Team⁴ has been met with considerable openness and support from each of the Nordic Plus agencies. We wish to thank the Nordic Plus contact persons and everyone we met during our visits to the various headquarters for their extensive support and hospitality.

1.1 The harmonisation agenda and DC

DC originates from a number of far-reaching initiatives during the past half decade that have fundamentally changed development policy and approaches and introduced new working relations between donors and partner countries.

The important milestones include the International Conference on Financing for Development in Monterrey (2002), the Rome Declaration (2003), Marrakech Memorandum (2004) and finally the declaration made in March 2005 at the Paris High-Level Forum meeting. The outcome of these international initiatives has been a definition of four main themes that will dominate the development policy agenda over the coming years:

³ Barriers to Delegated Cooperation. Lessons-learned, COWI A/S, Commissioned by Norad on behalf of the Nordic Plus. March 2006

⁴ The team undertaking the assignment consisted of Anette Aarestrup (team leader, COWI), Finn Skadkaer Pedersen (deputy team leader, COWI), Thomas Juel Thomsen (COWI), and Erik Bryld (COWI).

- **Ownership.** The right and responsibility of the partner country itself to define its development agenda, including its own strategies for poverty reduction and economic growth.
- **Alignment.** Donors' obligation to increasingly rely on the systems of the partner countries and provide capacity building support to improve these systems, avoiding parallel systems.
- **Harmonisation.** Donors should streamline and harmonise their policies, procedures, and practices; intensify delegated cooperation; increase the flexibility of country-based staff to manage country programmes and projects more effectively; develop incentives within their agencies to foster management and staff recognition of the benefits of harmonisation.
- **Managing for results.** Partner countries should embrace the principles of managing for results, starting with their own result-oriented strategies and continue by focusing on results at all stages of the development cycle - from planning through implementation to evaluation.

The urgency and rationale of these themes are clearly brought out by the OECD/DAC Task Force on Donor Practices. Its report "Harmonising Donor Practices for Effective Aid Delivery" (2003) documented the immense burden on partner countries of dealing with a multitude of donors, each with their separate procedures. It also brought out the preference of the partner countries for donors to simplify procedures and systems, harmonise procedures, and align procedures with their own systems. In Rome and Paris the donors and partner countries committed themselves to harmonise policies and procedures with the aim of reducing transaction costs.

DC is one among several harmonisation options available. In its original definition by DAC, DC covers a broad range of working methods:

*"...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."*⁵

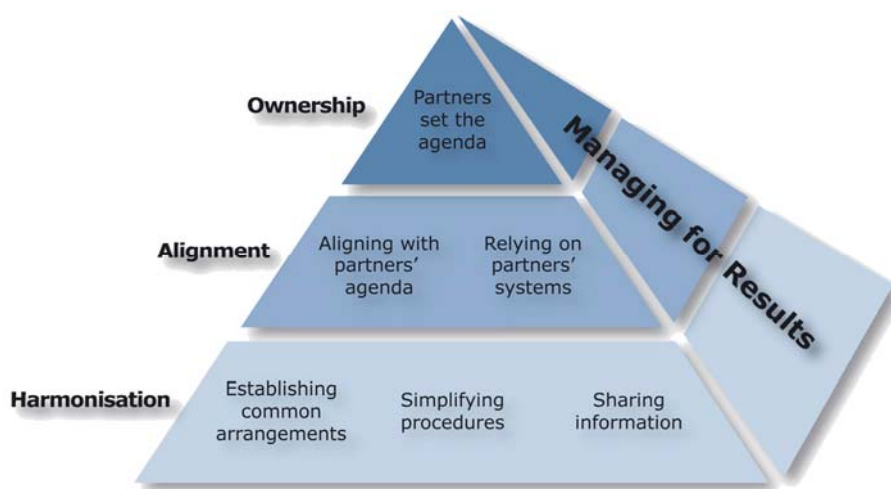
The definition clearly shows that delegation of funding arrangements only is not covered by the DC concept. On the contrary, the DC definition includes delegation of authority to make decisions and it concerns all stages of the cycle of activities in a development partnership. The delegation of decision-making powers to other donors is a more complex question than the delegation of powers restricted to managing funds. It involves the question of delegating dialogue with the partner and ensuring that individual donor priorities are adhered to. All are issues which are not primarily administrative but also embody a political element.

⁵ "Harmonising Donor Practices for Effective Aid Delivery" DAC Guidelines and Reference Series. OECD, Paris 2003

DC involves aid effectiveness benefits, which are potentially significant. Transaction costs of both partner country governments and donors may be reduced, and effectiveness gains can be achieved by making better use of the comparative advantage of the individual donors.

DC is also emerging as an important element in joint-assistance strategy (JAS) processes where donors aim to achieve "division of labour". In Tanzania, Uganda, and Zambia, for instance, the JAS processes have reached the stage where donors will in principle soon have to pull out of particular sectors. It will be a challenge to most donors, because of the pressure to demonstrate presence in a sector for domestic political reasons. In this context (e.g. Zambia) DC is being considered as stepping-stone towards division of labour. If DC is also used elsewhere as a step towards division of labour it may gain even further importance.

Like any harmonisation option, DC requires attention to the other major themes on the international development agenda; ownership, alignment, and results orientation. The pyramid below shows how the different themes are inter-linked.



DC belongs to the lower left part of the pyramid under "establishing common arrangements". The pyramid illustrates that DC, like any harmonisation effort, should be designed so as not to undermine, but rather support partner country ownership and the accountability of the partner government to its citizens. Similarly, DC arrangements should support the alignment agenda by relying on partner country systems and procedures, to the largest possible extent. At the same time, the monitoring and performance management systems related to DC arrangements should reflect the priority and approach for managing results, based on aligned and ownership based solutions.

1.2 Harmonisation among the Nordic Plus donors

DC has been given a particular boost within the Nordic Plus group of donors (Norway, Sweden, Great Britain, Denmark, Finland, Ireland, and the Netherlands).

In 2003, these "likeminded" donors decided to "take harmonisation one step further" by establishing a Joint Action Plan on Harmonization 2003-2005, defining several activities at global-, headquarter- and country level to further promote the harmonisation process. One of the steps in the action plan was to achieve further progress on DC. The progress should be achieved by lowering the administrative barriers to DC, a task which Norway volunteered to lead, and which led to the current initiative to conduct joint assessments of the policies and administrative procedures of the seven Nordic Plus donors.

Incidentally, however, the action plan also defined initiatives that by themselves may reduce barriers to DC, although they are listed as separate tasks. They are:

- Implement harmonisation action plans for each donor in order to align guidelines, procedures, and planning instruments with the aid management standards.
- The "Joint-Financing Arrangements in Programme Support (JFA)" guidelines which defines a common platform for joint donor arrangements with a partner country.
- A "Joint Procurement Policy" was developed to harmonise the approach to procurement
- As regards the task to "reduce barriers to DC", Norway initiated a process of discussions among the Nordic Plus donors aimed at specifying the best approach of achieving the wider aim of increasing the number of DCs. The process was kicked off by a joint brainstorming session among the Nordic Plus partners and consultants in Oslo in March, 2005. It was agreed that there was a need for a joint assessment of the policies, administrative and legal practices of each donor agency based on an assessment framework commonly agreed on. It was also agreed that a best-practice guide on the establishment of DC arrangements, based on a lessons learnt study, should be made to further promote the process.

The objective of the assignment was thus defined:

"...to establish the basis for lowering the barriers to delegated cooperation and through this facilitate an increase in the number of agreements on delegated cooperation"

Three outputs were defined in order to achieve the objective:

- 1 A joint assessment of the policies, administrative and legal practices of each donor agency based on an assessment framework commonly agreed on.

- 2 Lessons learnt on practical obstacles, "risk factors" and successes in the planning and implementation of delegated cooperation arrangements.
- 3 A Nordic Plus harmonised "best-practice" guide that offers practical guidance to field offices in the planning and management of DC arrangements.

This report is a joint assessment of policies and administrative practices of the seven members of the Nordic Plus group: Ireland, United Kingdom, Sweden, the Netherlands, Denmark, Finland and Norway all of which have agreed to participate in the assessment.

1.3 Approach

1.3.1 Defining the scope

In the discussion among the Nordic Plus donors it was decided to narrow the definition of DC for the purpose of the present joint assessment. As such, the assessment should only be concerned with DC arrangements that cover the design and implementation of all aspects and all phases of a country programme, sector programme or project. That is, DC arrangements involving only a single phase of a programme or project cycle should not be included; neither should development assistance through multilateral channels, national NGOs, and humanitarian assistance.

Also omitted from the assessment were policies or procedures relating to specific sectors or thematic issues.

1.3.2 Focussing on barriers

The immediate focus of the joint assessment is on *barriers* to DC in the form of fundamental differences in policies and practices. However, the immediate expectation regarding the "like-minded" Nordic Plus donors is that few differences should exist in these areas. The Nordic Plus donors have already adjusted their policies and procedures to the international agendas and introduced the needed flexibility to allow participation in joint donor arrangements. The initial expectation is that although differences may exist in the formal policies and procedures of the Nordic Plus donors, these may not constitute barriers to DC.

The challenge in terms of identifying *barriers* to DC therefore may be to identify the bottom-line requirements in the way the policies and procedures are *practiced*. What are the absolute demands that need to be adhered to if one agency is to enter into a DC with another agency? Where are the limits to flexibility? Such identification and clarification of the absolute demands of each Nordic Plus donor to delegate authority to another is necessary for a comprehensive assessment of the barriers to DCs. Certain measures have been included in the methodology to attempt to identify the bottom-line requirements not defined in the formal policies and procedures of the donors.

Other barriers than the formal policies and administrative procedures of the donors may influence DC. Institutional incentives, various uncertainties and risks, and political factors are generally recognised to be highly important determi-

nants of whether DC, or other harmonisation initiatives, is put into practice. Joint-discussions with the Nordic Plus representatives early in the assessment process brought to the table these "incentive" related determinants. However, while incentives, risks, and political calculations were at times briefly touched on in interviews with the head-office staff of the Nordic Plus agencies; it has not been possible in this part of the assignment to address these types of barriers systematically.

1.3.3 Assessment framework

As the basis for the joint assessments of each donor, the Nordic Plus representatives agreed to the assessment framework illustrated overleaf.⁶ Consequently the requirements on each of the issues outlined in the table have been examined systematically for each donor.

Two delimitations have been made in the framework. In agreement with the Nordic Plus donors, a first delimitation of issues to be included in the framework has been made by considering what issues are important for DC. However, a second delimitation concerns the depth with which each of the issues has been studied. Again, guided by the overall consideration of "what is important for DC", the consultants have had to limit the detail with which each of the issues is treated to include only those considered to be relevant for donors when deciding on entering or not into a DC arrangement.

⁶ Meeting on 15 June 2005 in Copenhagen.

Assessment framework for barriers to DC

<p>Overall policies and legislative foundation</p> <ul style="list-style-type: none"> • Poverty reduction • Adherence to MDGs • Coherence in policies affecting global poverty • Cross-cutting or thematic issues • Main priority sectors
<p>Operational policies</p> <ul style="list-style-type: none"> • Adherence to the aid effectiveness agenda • Country assessments for assistance strategies • Assessments to guide the selection between aid modalities
<p>Organisation and management</p> <ul style="list-style-type: none"> • Division of roles, authorities and responsibilities between head office and field offices • Central-local level reporting lines • Budgeting and disbursement mechanisms • Mechanisms for implementing harmonisation and alignment at field office level
<p>Programme Management</p> <ul style="list-style-type: none"> • Planning, appraisal and approval procedures and frameworks • Programme/project organisational setup requirements • Programme/project reporting requirements • Mechanisms for reviewing counterparts' compliance with contract requirements • Financial management procedures • Accounting and auditing requirements/procedures • Foreign exchange issues • Procurement requirements and procedures • Monitoring and evaluation procedures
<p>Agreements with Partners</p> <ul style="list-style-type: none"> • Requirements to agreements with partner government and other donors • Legal/non-legal status of agreements
<p>Accountability and Sanctions</p> <ul style="list-style-type: none"> • Accountability requirements in relation to Auditor General, parliamentary committees, or other bodies • Sanctions policy and procedures in the case of corruption, non-compliance, fraud or irregularities

1.3.4 Process and instruments

The main instruments of work consisted of:

- **Desk reviews.** Based on the assessment framework, the policy and administrative documents of each donor were reviewed by the consultants.
- **Questionnaires** were developed to identify the "bottom-line" requirements that each donor would not deviate from if necessary to participate in a DC arrangement. The questionnaires contained questions that could not be answered readily by studying the official policies and guidelines of the donors. These were distributed to the agencies which prepared written replies to the consultants.
- **Interviews** were undertaken with staff of various departments of each donor headquarters using question guides developed on the basis of the desk reviews and completed questionnaires. The interviews were intended to fill in gaps to questions not answered by the desk reviews and completed questionnaires.
- Circulation of working-drafts of the agency reports to each agency for validation of the presentation prepared by the consultants
- The draft joint-assessment plus six donor reports from November 2005 were circulated to all initial six donors for comments and a joint-feedback meeting held at COWI's head-office in Lyngby, Denmark, before publishing in June 2006. The current version with the inclusion of Finland has been shared with the Ministry of Foreign Affairs in Finland for comments. No alterations have been made to the description of any of the other donors after the June 2006 version.

2 Joint assessment

In the following we present the joint assessment of the policies and administrative procedures of the seven Nordic Plus agencies. Based on a cross-comparison of the individual donor assessments (annexes), we identify the major similarities and differences for each theme defined in the assessment framework.

As will be shown below, there are major similarities in the policies and administrative requirements of the donors, but also clear differences. The differences are of immediate interest for "identification of barriers", but differences should not be seen as barriers in themselves. The limits to flexibility will decide whether any difference turns into a barrier or not. This will be discussed in the next chapter.

For easy reference the present chapter starts with a matrix that summarises "where" the individual donors resemble or differ from the others for each major theme. The matrix should be read together with the remaining chapter, but serves as a quick reference to identify possible important differences for one donor considering delegation to another.

2.1 Assessment matrix

The matrix illustrates a number of policy and administrative areas where each donor shares a requirement with the others or where they do not. For certain themes where confirmation/non-confirmation does not apply, the minimum requirement has been stated.

In the matrix a full dot indicates that a donor has a specific requirement or lives up to a specific demand relating to an issue shown in the left-hand column. A dot in brackets means that a donor only partly lives up to, or partly defines, a requirement relating to the relevant issue (e.g. Norway does not explicitly demand a LFA approach for a programme document but requires that objectives, outputs expected and activities planned are clearly presented). A hyphen (-) indicates that the donor does not have the specified demand or lives up to the requirement.

The matrix can be used as a quick overview to identify where there are differences between the seven donors. More detail can be found in this report and especially in the annex assessing the policies and procedures of the relevant donor.

	Norway	Ireland	United Kingdom	Sweden	The Netherlands	Denmark	Finland
Poverty reduction objective	●	●	●	●	●	●	●
Expressed link to MDGs	●	●	●	●	●	●	●
Coherence of policy issues	●	●	●	●	●	●	●
Priority sectors and themes	<i>Governance, environment, gender, energy, peacebuilding</i>	<i>Education, health, water, governance, private sector, HIV/AIDS</i>	-	-	<i>Education, health, HIV/AIDS, environment and water</i>	<i>Agriculture, health, education, water/sanitation, transport, environment, business</i>	-
Themes that cut across sectors	<i>Gender, environment, HIV/AIDS</i>	<i>Gender, Governance, HIV/AIDS Environment</i>	<i>Governance, gender, conflict, HIV/AIDS</i>	<i>Perspectives: - the poor -rights. Central components: Democracy and good governance, human rights and gender. Sustainable dev: environment, econom. growth, social development Others: conflict-prevention, global common goods</i>	<i>Sustainable development, business sector, reproductive health, HIV/AIDS, Governance</i>	<i>Cross-cutting: Gender, Governance, Environment, Themes: globalisation, conflict, children and youth, HIV/AIDS</i>	<i>Gender, rights and equal participation of marginalized groups, environment</i>
Environmental assessment required	●	-	●	●	-	●	(●)
Operational Policies							
Adheres to aid effectiveness	●	●	●	●	●	●	●
Guidelines for DC (besides Nordic + guide)	-	-	(●)	●	●	(●)	-
Assessment tools for country analyses	-	(●)	(●)	(●)	●	(●)	-
Assessment tools for aid modalities	(●)	-	(●)	(●)	●	(●)	-
TA in capacity building highlighted	-	-	●	-	-	●	(●)
Organisation and Management							
Decentralisation	●	-	●	●	●	●	(●)
Decision-making in field	<i>Unlimited based on annual plan</i>	<i>Less 100.000 EURO</i>	<i>Depends on authority level of head</i>	<i>Based on annual plan</i>	<i>Based on annual plan</i>	<i>Less 5 mio. DKK</i>	<i>Limited apart from pilot embassies</i>
Decisions in HO	<i>MoU, Budget support</i>	<i>All above 1000.000 EURO</i>	<i>Depends on level of staff</i>	<i>Budget support</i>	<i>Budget support</i>	<i>Over 10 mio. DKK to board</i>	<i>Main Responsibility</i>
Programme Management							
Partner responsible for programme development	●	-	-	●	(●)	-	-
Concept note required	●	-	●	●	-	●	-
Programme doc. LFA-based	(●)	●	●	●	●	●	●
Organisational assessment tool	-	-	(●)	(●)	●	-	-
Budget assessment uses joint standards (WB etc.)	(●)	●	(●)	(●)	(●)	(●)	(●)
Independent appraisal required	● + 50 mio. NOK	-	-	-	-	● + 30 mio. DKK	●
Reviews required	● Mid-term & end 50 mio. NOK	-	-	-	●	●	(●)
Annual programme meeting required	(●)	-	-	-	-	●	-
Reporting and work plan minimum	● Annual	-	-	-	●	● Annual	-
Completion report mandatory	●	●	●	-	●	●	●
Monitoring							
Result measurement linked to MDGs, PRSP, nat. sector monitoring	●	●	●	●	●	●	●
Evaluations follow DAC guidelines	●	●	●	●	●	●	●
Agreements							
Use of Nordic+ JFA	●	●	●	●	●	●	●
Use of Treaty-language	●	-	-	●	-	●	●
Financial management							
Budget calendar year and specify	● (Carry over to next) By country	● By sector in partner country	● By country	● By region	● By policy themes	● By country and sector	● Bilateral framework
Cash (c)- or accrual (a)-based accounting	c	c	a	c	c	a	a
Result management required	●	-	●	●	●	●	-
Audit by international standards	(●)	●	●	●	●	●	●
Prior disbursement on request	●	●	-	●	●	●	●
Anti-corruption analysis required	●	-	(●)	●	-	(●)	●
Accountability							
Clear guidelines for response to non-adherence to agreements	-	-	-	-	●	-	-

2.2 Overall policies

There is a clear predominance of similarities in the overall policies of the Nordic Plus group, but there are differences in a number of areas where consideration must be given as to whether they constitute "barriers".

2.2.1 Poverty reduction and the MDGs

Not surprisingly poverty reduction is the central objective of all the Nordic Plus donors reviewed. All donors also adhere to the MDGs and define their poverty reduction objective with reference to these goals. Some of the countries are directly relating their objectives to the MDGs, while others include objectives that relate to the MDGs more indirectly. All the donors use a multidimensional definition of poverty, which includes economic, human, socio-cultural, protective, and political aspects. All donors favour a holistic approach to poverty reduction, with focus on social and economic development, and including governance, gender, environment, private sector development, and conflict aspects.

At the overall policy level there are differences in the emphasis placed on the various dimensions of poverty reduction. E.g. the Dutch highlight HIV/AIDS and the environment, the Swedes give primary importance to the respect for human rights, the Norwegians to conflict resolution, and the Finns to marginalised groups. Overall, the differences in the detailed policy priorities of the donors' values seem to be a question of emphasis and not disagreement.

2.2.2 Policy coherence

The commitment to pursue coherence - across "government" - of policies that influence poverty reduction is stressed by all. The seven donors all highlight the importance of achieving poverty reduction and sustainable development through the integration of a development policy with policies on trade, agriculture, migration, security, etc. Ireland has not yet formalised its commitment to "policy coherence" in a policy document, but it will be a central issue in the new White Paper that they expect to finalise in 2006.

Differences can be found on some of the specific themes where each donor defines a requirement for policy coherence. It is possible that these variations merely reflect the different points in time at which the policy areas were defined and that the donors today would agree on the "main issues" where policy coherence is needed. As an example, immigration and anti-terrorism do not feature prominently in the British policy "Making Globalisation Work for the Poor" from 2000 while these themes probably would be considered important today, as reflected in the Danish policies from 2004 and 2005. Finland's development policy from 2004 refers to coherent activity in all sectors of international cooperation and domestic national policies that have an impact on the status of developing countries.

2.2.3 Cross-cutting and thematic issues

All donors identify a number of cross-cutting and/or thematic issues, which should be integrated or at least considered in the development programmes they support - fully in line with the multidimensional approach to poverty reduction. Certain cross-cutting issues and themes are common to all the donors. These include:

- Governance (Human Rights and Democratisation)
- Gender
- Environmental sustainability
- HIV/AIDS

To a varying extent all donors also require consideration of conflict prevention, reproductive health, economic growth potential, private sector development, and trade and capacity development.

It was not within the scope of the present assessment to examine the extensive range of guidelines and requirements of each donor on all the cross-cutting and thematic areas. Based on a sample of the guidelines a predominance of similarities appears to exist in the way the cross-cutting issues are treated. This probably reflects that the approach to many of the issues is based on international treaties and decisions in multilateral organisations, where the seven donors have been supporting the same positions.

There are differences, however. In the case of environment as a cross-cutting issue, Sweden requires an Environmental Impact Assessment performed for all programmes. DFID, Finland and Denmark require that Environmental Screening Notes are prepared, while the remaining have no specific environmental screening requirements. Norway and Finland in particular highlight a "rights-based approach to development", but it was not possible to clarify the programming implications of this focus.

2.2.4 Sector priorities

Some donors define priority sectors while others do not, as illustrated in the table below. There is no clear agreement on what is defined as a sector - thematic areas such as governance and HIV/AIDS are also included among the priorities of the donors along with e.g. education or health. All donors base their choice of sectors in a country on the priorities in the national PRS, but Norway, the Netherlands, Denmark, and Ireland furthermore define their priority sectors based on domestic policy preferences. Finland has a wide range of priority sectors and themes, while Sweden and UK have no immediate preference for sectors and in principle may work in all.

Priority sectors of the Nordic Plus donors

	Education (MDG)	Health (MDG)	Private sector - employment creation	Environment (MDG)	Water and sanitation (MDG)	HIV/AIDS (MDG)	Governance	Agriculture	Transport
Norway	●	●	●	●		●	●		
The Netherlands	●	●		●	●	●			
Denmark	●	●	(●)	●	●		(●)	●	●
Ireland	●	●	●		●	●	●		
Sweden	●	●	●	●	●	●	●	●	●
UK	●	●	●	●	●	●	●	●	●
Finland	●	●	●	●	●	●	●	●	

As shown above, there is a clear overlap of donor priorities in certain sectors/themes that also overlap with some of the MDG sectors; this reflects the agreement among the donors on support to the MDGs. Combined with the decision of many donors to concentrate their support to a limited number of sectors, a challenge will be how to ensure a broad coverage of all the sectors and themes in a country that are important for poverty reduction.

2.2.5 Legislative basis

The donors are accountable to their Parliaments through the relevant Ministers based on national legislation outlining the main priorities for the development assistance. The main influence of Parliament is through the parliamentary appropriation, annual budget or finance bill in each country, approving the budget for development assistance. Budgets are approved for one year but multi-year indicative planning (three to five years) is used.

There are differences in the nature of the results that the agencies are accountable for achieving as well as in the level of detail. All agencies share an obligation to report to Parliament on an annual basis. However, some are accountable

for achieving broadly formulated development targets in the partner countries while others are accountable mainly for spending targets or activities.

There are differences in the degree of discretion of the agencies to allocate the development assistance to countries, sectors, and themes. Considerable discretion exists in the case of the Swedish assistance, where Parliament decides on regional budget allocations, and Sida is responsible for further allocations to the countries. In the case of Denmark and Norway country and sector allocations are specified in the national budget.

In the cases of Sweden, Norway, Ireland, and Netherlands the budget follows cash-based accounting, while in the UK, Finland, and (from 2006) Denmark it is accrual-based. Cash-based accounting is normally associated with larger end of year disbursement pressure than accrual based accounting, which means that the donors face different pressures on disbursement.

2.2.6 Country and regional priorities

Differences are seen between the Nordic Plus donors in their country focus. A number of donors (Ireland, Norway, Finland, The Netherlands, and Denmark) follow a country concentrated approach where a limited number of "programme countries" receive the main part of the support and attention. Even among these "concentration" proponents, the number of "programme countries" varies significantly (7 in Ireland to 36 the Netherlands) and when including the "non-priority" countries the actual list of countries being supported is much longer. Sida and DFID do not follow a country concentrated approach and support between 80-100 countries.

Despite the large number of countries supported by the Nordic Plus group there is some overlap in a limited group of mainly African partner countries that are covered by almost the entire Nordic Plus group. Examples of these are (non-exhaustive) Tanzania, Mozambique, and Zambia where all the donors are represented, and Ethiopia, Uganda, and Kenya where six out of seven are represented.

2.3 Operational policies

2.3.1 Country programme approach

Five out of seven donors use country strategies or country programmes to define the overall objectives and framework for support to the partner countries. Country strategies are not always used for the non-priority countries of the donors. Finland and Norway are the exceptions to the trend of using "country strategies". Based on the principle of alignment, Norway relies on the local poverty reduction strategy combined with a MOU that spells out the areas/sectors of support. Finland is in the process of reviewing the country strategy approach.

The country strategies share many similarities in terms of focus and content. All are medium/long-term, covering a period of three to five years, and define strategic objectives, key sectors, thematic areas, the modalities for support, and the monitoring mechanisms.

At the same time the donors differ in their use of analysis as a basis for the strategies. Different approaches to country analysis means different bases of understanding country contexts among the donors:

- For some donors particular types of analyses are required, while for others the responsible managers are free to decide on the need for and type of analysis to prepare.
- Often but not always the analyses undertaken build mainly on past experiences and, not least, available analyses undertaken by other donors such as the World Bank (Assessments of PRSPs, PERs, CFAAs etc.).
- In the majority of cases donors undertake an analysis of the national PRS and the bureaucratic capacity to implement it, including the public financial management systems, supreme auditing institutions, etc. In other cases an analysis of the wider governance system is required, including the quality of the poverty reduction strategies and mechanisms for implementing the effectiveness of the checks-and-balance institutions, the role of civil society and the general political, economic, and social situation.
- In few cases some donors commission "political economy" analyses of the partner country (Sweden: Power Analyses; UK: Drivers of Change; the Netherlands) in addition to the more technocratic analysis of the PRS. These studies are typically based on specific approaches. There is no standard obligation for such analysis to be made and planners are not required to follow the conclusions of these studies.

Irrespective of the requirements for analyses, all the donors require strategies to be developed on the basis of specific criteria or issues. These cover a mix of policy priorities, MDGs, poverty reduction strategies, assessments of governance situations, of the public financial management and accountability systems, etc. In some instances the criteria and issues to consider are only loosely defined (Ireland and Finland) while, in other cases, particular issues are attached with their own set of specific guidelines (Sweden).

Country strategies can be defined with varying degrees of flexibility with regard to objectives and the areas and forms of support. Some donors have a fairly large degree of flexibility in defining the country strategies within the limits of the broad poverty objectives of the agencies, such as the DFID CAP. In other cases, the support areas and modalities are drawn from relatively specific policy objectives in terms of sectors and themes of the respective agencies (e.g. the Netherlands).

2.3.2 Selection of aid modalities

Most of the donors use a combination of aid modalities: general budget support, programme support/SWAp including sector budget support, and projects. Some also use technical assistance (TA) as an aid modality. All seven donors state a preference for programme and budget support where the conditions are "right".

However, the policy priority and weight of each modality in the overall donor aid programmes differ. Budget support, for instance, is a significant component in DFID's assistance while it appears to have less weight in the assistance of the other donors. Approximately three quarters of Finland's development assistance is channelled through project assistance. Although all donors favour programme support, the impression is that project-type support is still widely used. Particularly among certain donors, projects are typically used for support to "governance" and local NGOs.

Donors differ in the approach to selection of aid modalities in a country. Although all favour a mix, they differ in the approach to deciding on the mix. The Netherlands use analyses to define the "overall effective mix" of aid modalities in a given country. Others make the decision by considering each modality separately, including separate processes, analyses, and sometimes using different decision-making points internally in their organisations. Some donors combine the decision about area of support and modality (i.e. "we will support education through participation in the SWAp"), while others treat the decision of what aid modality to use separately from the choice of sector/theme (e.g. the Netherlands).

All donors require analysis to be undertaken as basis for deciding on the choice of aid modalities. The Dutch assessment system stands out for its rigorousness, use of ratings and aim to obtain a politically and historically unbiased assessment of the "effective mix" of aid modalities in a country.

Concerning budget support all seven donors have specific guidelines for analysing whether conditions allow this. They include a fiduciary risk assessment and analysis of public expenditure management and accountability system including the various World Bank initiated analyses (PER, CFAA, CPAR etc.). The donors differ as to what extent more broad governance issues should be part of the decision to provide budget support.

Not surprisingly, all seven donors make their final decision about aid modalities in a country, based on broad consideration of their policy and agency-internal goals combined with a consideration of the political and principle-driven factors, which does not follow any deterministic approach. Even the Netherlands, whose system for assessing the effective mix of aid modalities is the most rigorous, accept that the final decision may be political and could deviate from the conclusion of their assessment instrument.

2.4 Donor harmonisation efforts

The Nordic Plus countries constitute a driving force in pushing the agendas of the Rome and Paris declarations. Their development of a Nordic Plus Harmonisation Action Plan underscores the shared priority given to harmonisation by these partners. The implementation of the action plan is creating further "consensus" on a number of central issues in relation to DC and, as mentioned before, there are three important initiatives already implemented:

- Review of guidelines, procedures, and planning instruments to align them with the international aid management standards in order to accept the standards of other donors as far as possible
- The "Joint Financing Arrangements in Programme Support" has been published in February 2004 and is in use
- The "Joint Procurement Policy" from November 2004 assists the Nordic Plus (and Canada and Germany) to harmonise their approach to procurement.

2.4.1 Delegated cooperation

Some donors (Sida, Norway, the Netherlands and DFID), have developed policies and guidelines on DC. These reconfirm the flexibility of the donors in accepting other donors' procedures for the benefit of DC and help remove barriers to DC in a number of important areas. They also underline some basic principles of anchoring the DC efforts in the local harmonisation and alignment agendas.

At the same time, the donors' perception of DC varies. To some donors DC is a highly important instrument, e.g. to meet parliamentary requirements for achieving specific sector targets or to ensure disbursements of radically increasing aid budgets. Other donors find that DC should primarily be seen in the wider context of joint-assistance strategies and overall division of labour. Yet irrespective of the rationale, DC is considered an important harmonisation instrument by most of the agencies.

The level of engagement of the donors in DC arrangements differs, although it is difficult to compare levels since many DC arrangements in the field may not be known in headquarters. Even donors that claim not to use DC seem to have examples of DC in their portfolio on close scrutiny. These are typically "locally" driven initiatives, conceived through the free initiative and creative effort by country level representations.

2.5 Organisation and management

2.5.1 Overall organisation

The Nordic Plus donors are organised in different ways, which has impact on the integration between development policy and the broad foreign policy agendas of the donors. Sweden's assistance is managed through an agency (Sida) while Ireland and UK use government departments (DCI and DFID, respectively). Since these three institutions work relatively independent of their MFAs they can, in principle, pursue their respective development policy agendas with less consideration to the broad foreign policy agendas. In The Netherlands, Finland, Denmark and Norway, the development administrations are integrated in the MFAs (although in Norway, Norad is maintained as an agency focused on technical advice inside the Ministry of Foreign Affairs). In principle, there is a stronger basis for the integration of development policy into the broad policy agendas of these donors. It has not been possible to assess the real differences in integration of development and non-development foreign policy issues between the seven donors.

At country level the development assistance is integrated in the respective representations (normally embassies). This applies to all donors except DFID which has a separate organisation at field level. Usually, there is a mix of general staff and more development specialised staff at a representation in a partner country. There seem to be differences in the preference for using "sector specialists" (Netherlands) or "development generalists" (Norway) to manage the development assistance programmes, and the same donor may use a mix of generalists and specialists (Denmark, Sweden, Finland, and the Netherlands). The head of the representation often has no development background and delegates the daily responsibility for development assistance to a deputy.

2.5.2 Decentralisation

Five out of the seven donors have decentralised significant parts of development assistance to the country level representations, at least in their "priority countries". Embassies, field offices, etc. have been given extensive responsibilities for the planning and management of the assistance. In several cases significant approval, review, and quality assurance responsibilities have also been decentralised.

There are differences among the donors in the powers and controls that have been decentralised. First, DCI of Ireland and Finnish development cooperation are not "decentralised". Significant planning and approval responsibilities are maintained at headquarters in these organisations. In practice, DCI's centralised structure has not hampered its participation in harmonisation efforts at country level. Finland is gradually advancing with decentralisation as the Ministry's action programme on results based management is advancing. Secondly, the controls maintained at central level differ between the donors. For instance, planning and decisions about budget support in the Netherlands and Sweden are made at central level, in Denmark this is usually also the case, since budget support amounts in general exceeds the level that can be approved at embassy

level. Moreover, as shown below, the decentralised decision-making powers on budgets vary between the donors.

2.5.3 Decision-making

Differences were found in the budgetary decision-making authority decentralised to the country level representations, which has impact on the flexibility of the country level to plan and decide programmes. The powers of DFID field offices depend on the level of delegated authority to the head of mission. E.g. the decentralised Swedish representations can authorise programmes up to Euros 5.4 million, while Denmark needs headquarter approval of programmes exceeding approx. Euros 1.4 million. DCI and Finland makes almost all budget decisions centrally. Obviously the level of decentralisation is not only defined by budgetary limits but, importantly, by the flexibility at country representation level to take the necessary operational decisions during the implementation of programmes and projects. In this respect there is a high extent of decentralisation for all of the seven donors.

2.6 Programme management

2.6.1 Planning process

All seven donors require that the programmes/project planning process follows a set of procedures and consider certain criteria. Each has a programme and/or project planning and management "**guideline**". The differences mainly relate to the detail of the procedures to be followed and the complexity of the requirements. Some agencies use brief guidelines with few requirements and broadly stated criteria, while others rely on complex systems of guidelines and policy requirements.

Five of the donors use a brief **initial format** to illustrate the programme idea and present how further preparation of the programme is planned. Examples include the Platform for Dialogue of Norway, Sida's memo and DFID's and Denmark's Concept Notes. These formats generally outline the initial strategic analysis outlining the proposed support, relations to donor and partner country policies. Approval (and sometimes consultation at headquarter level) is required. The Netherlands and Ireland do not require such initial outlines, but move straight from country strategy or MoUs to elaborate on proposals or project documents. Finland defines sector cooperation in MoUs while the individual project or programme activities are defined through an identification phase.

Field offices/Embassies in all cases play important roles in the programme/project elaboration and, in most cases the field level is entirely responsible for programme/project elaborations. In the cases of Sweden and Norway involvement of country desk and technical desks at headquarters is not required. In the cases of Ireland and Finland the country level representation does not have primary responsibility for programme elaboration and significant involvement by head office is required.

Partners are expected to play a role in programme formulation in all cases but the emphasis on partner involvement differs. Norway and Sweden specify that programme development is the responsibility of the recipient but the local representation may assist, while in the cases of e.g. Denmark, Finland, and UK the responsibility for programme elaboration seems to rest with the donor based on consultation with the partner. In this assessment it has not been possible to assess the practical differences in partner involvement between the donors.

All of the seven donors use an LFA approach as the basis for **programme documents**. Although there are variations as to which aspects to stress, the demands to programme documents are similar and include assessment of organisational capacity needs, clear management structures, clear monitoring systems and risk assessment. All donors are flexible in their format requirements either by specifying that other formats can be used and/or by formulating the format requirements in broad terms.

All donors let the programme/project description undergo some form of **appraisal** as a basis for the approval. There are various differences as to whether appraisals are treated as a separate step requiring a separate document (Denmark, Finland, and Norway) or as an integrated part of the programme/project process and document (DCI, DFID, and the Netherlands). There are also differences in the degree of independence required of the appraisals defined in terms of whether or not the same individuals who undertake programme/project planning also undertake the appraisals. Based on this definition, a larger degree of independence is required by Finland, Danida, Norad and Sida (for proposals exceeding certain amounts) than the other donors. Finland sub-contracts appraisals to consultants.

There is a general agreement on the requirements to appraisals which are all in favour of joint donor appraisals. Broadly, the donors agree that the following issues should be part of an appraisal:

- The preparation process, including nature of analyses, stakeholder consultations, and assumptions made
- Conformity with poverty and sector policies and assessment of their quality
- Local ownership
- Feasibility and sustainability, including political, social, technical, institutional, and financial
- Cross-cutting issues
- Donor harmonisation
- Monitoring system
- Risks

Capacity assessments of institutional and management issues related to the support are important to all the donors as is sound financial management, and a clear management and decision-making structure with possible recommendations for institutional support and capacity-building. The emphasis on capacity assessment is particularly strong in the case of the Netherlands, which also have

requirements on the use of capacity assessment instruments such as its "COCA" or the broader Institutional Sector Analysis and Organisational Analysis.

2.7 Approval

The donors approve the programmes/projects based on the appraisals, which, in all cases, should recommend or advise against support and identify possible improvements before support can be granted. The basis for approval may range from brief memos to entire programme/project documents including the appraisals.

Generally, the majority of the donors with decentralised operations place the authority to approve programmes/projects with the head of the embassy or field office. However, the authority to approve depends on the programme budgets, as stated above.

2.7.1 Implementation (monitoring)

All the Nordic Plus donors agree that the principle of ownership means that the partner (normally a government) is responsible for implementation, which implies that the attention of the donor turns towards monitoring and policy dialogue during implementation.

There is also a general agreement, among the donors, on the mechanisms for monitoring and dialogue. Clear mechanisms for decision-making are highlighted by all in connection with approving annual plans and budgets, commissioning necessary analyses and reviews, and for general policy dialogue between partner(s) and the donor(s). All donors define their reporting requirements loosely, but generally they need a financial and a narrative report at least annually, as a minimum. These needs should be addressed during the programme planning phase and be specified in an agreement between the parties.

In line with alignment all donors favour using the monitoring system of the national partner as much as possible or a commonly agreed monitoring system should the national system not be sufficient. A performance assessment framework or other relevant monitoring and review framework should be part of an agreement.

A number of donors also rely on their own monitoring systems where some are mostly focused on their own organisational effectiveness (DFID, Denmark, Sida) while others are structured tools to assess the country situation (The Netherlands).

All donors agree on the principle importance of dialogue with partner governments and possibly local civil society representatives, scholars, etc. during implementation. Through the present assessment it has not been possible to determine if there were any practical differences between the donors in how actively they engage with different stakeholders in the partner country to monitor the general situation and programme performance.

2.7.2 Financial management

Accounting principles. Norway, Ireland, Sweden, and the Netherlands use cash-based accounting while UK, Finland, and Denmark (from 2006) use accrual-based accounting.

DFID and the Netherlands are required to hold third-party money (e.g. funds paid by other donors) in separate third-money accounts.

Payments. Generally, donors allow prepayments with typical limits up to 6 months, except for DFID which accepts prepayments only under specific circumstances. Some only make payments in their own or the local currency, while others can make payments in any currency.

Interest and exchange rate revenue. Most donors allow for interest/exchange rate earnings to be used for programme/project objectives, often after written agreement with the donor⁷.

Reporting. All donors require financial reports, usually, at least, on an annual basis and at least as detailed as the agreed budget. Most also require narrative and output-based reports at least annually. These should be linked to the financial report.

Auditing. Audit reports are needed in almost all cases (except for the Netherlands which, in certain cases, do not require this), usually on an annual basis. Audits by the local supreme auditing institution using national standards are accepted, in some cases, provided that assessments document an adequate standard, or additional audits may be undertaken if found necessary. In some cases international standards are required but not by every donor. A few donors require value for money audits, and some require the right to do their own audits or at least to get access to all financial documents.

2.7.3 Capacity development and use of technical assistance/cooperation

All donors agree that capacity development is central to development cooperation especially in order to move towards more aligned assistance modalities. For some (e.g. DFID) it can be a freestanding activity but most see capacity development as part of a project or programme (normally a sector support programme). The use of technical assistance, defined as support to training, expert advice, scholarships or research grants, is one of the means of supporting capacity development. TA can be provided in the form of consultancies, advisers, twinning arrangements between similar institutions, and scholarships and research grants. In general the principles that technical assistance should be demand driven and that pooled TA arrangements are preferred seem to be agreed by all.

⁷ Denmark has been an exception and required interest earned and exchange rate gains returned. There are indications that this rule might be changing.

However, there are differences in the role and significance formally given to TA as part of the development assistance provided. Some donors highlight TA up-front as an important part of the assistance (DFID, Finland, Denmark), while others explicitly play down the role of TA (Norway, DCI). Norway does not favour TA but uses "twining arrangements" between Norwegian and partner institutions. Some donors do not have an explicit position on TA (Sida, DCI, the Netherlands⁸) in the form of policies or guidelines but nevertheless express a particular position on TA in the guidelines or policies concerning capacity development. Other donors such as Denmark and DFID have more explicit policies related to TA.

2.7.4 Procurement

The Nordic Plus (with Germany and Canada) have produced a Joint Procurement Policy, which in principle means there should be no differences between the seven donors regarding procurement requirements. There is thus agreement on the principle that the procurement system of the partner should be assessed and used if found to be of sufficient standard. If it is not found to be sufficient, capacity development should be provided, and only as a last resort should the donor undertake the procurement. Moreover, all donors have agreed to untying of aid and six out of seven are members of EU⁹ and therefore are required to use the EU regulations. It has not been possible in the present assessment to verify if the donors in all cases follow the same practice on procurement and apply the same rules. Generally the DAC guidelines are used for procurement in partner countries and EU-rules are followed for procurement undertaken by the donors themselves.

2.7.5 Completion

All the seven donors require a completion report, at least for programmes and projects of a more substantial size budget-wise. "Lessons-learnt" and retrospective assessments of results are important elements of completion for most donors.

2.8 Agreements with partners

Most donors have a template to describe and confirm the settlement entered into with other partners no matter whether this partner is a recipient government or another donor. In some instances the document must outline the objectives, outputs, monitoring, reporting, and decision-making structures agreed to, while in other cases, it is considered sufficient to present these points by way of the attached programme/project document.

There are differences within the Nordic Plus group between those who favour legal type agreements (Norway, Finland, Sweden, Denmark) and those who

⁸ The Netherlands earlier had a strong position against TA, but the present position within the ministry has yet to be clarified.

⁹ Norway seems through its general agreement with EU also to follow these rules.

prefer non-legally binding arrangements (the Netherlands, DCI, DFID). For all practical purposes it has proven possible to find a solution that all can agree to in the form of the Joint Financing Agreement (JFA), which is approved by all (+CIDA).

In the JFA-document it is mentioned that the JFA can be modified to accommodate situations where one donor is elected by the other donors to act as 'lead donor' in a DC arrangement. Various models for such delegated cooperation have been developed in practice. The most common model for delegated cooperation consists of a JFA signed by all donors and (often) the partner government with complementary bilateral arrangements concluded between the lead donor and each other signatory donor.

All DC arrangements with participation of Nordic Plus are presently governed by at least two "agreements", that is, one between the lead donor and the recipient government and another between the silent partner and lead donor. In addition to these, some donors require an additional bilateral agreement between themselves and the recipient government when they are "silent" partners.

2.9 Accountability and sanctions

2.9.1 Accountability requirements to Auditor General, parliamentary committee or other bodies

All donor organisations are, naturally, accountable to their national Parliaments, through their respective minister(s), as well as to various parliamentary committees. Generally the National Audit Office - as part of the audit of the Government budget - also audits the use of the budget for development cooperation and generally reports on this to the Parliament.

Many of the donors have internal monitoring systems and formats to measure corporate performance of the development assistance, which are linked to the indicators and goals defined in the national budgets. Therefore differences can be found in the monitoring and performance measurement systems of the donors. In principle when the decision is made to rely on the monitoring indicators and systems in a partner country, or on any joint-donor monitoring effort, any difference between donors on monitoring and indicators should be removed.

Some donors do not accept to rely on the assessments of supreme audit institutions of other donors. Consequently to these donors it is an absolute requirement that their own supreme audit institution in principle must have access to perform own audits of the partner institution receiving support even if another donor is lead. However, there is increased cooperation, especially among the Nordic Plus supreme auditors, to move towards an acceptance of also "delegating" that responsibility to another donor's national audit institution.

2.9.2 Policies for responding to non-adherence to Agreements

Some donors have explicit policies on how to respond in the case of fraud, corruption, or other types of fund mismanagement (DFID, Finland, the Netherlands¹⁰, Denmark, and Sida). Other donors do not have free-standing policies or guidelines, although instructions are normally built into the general programme cycle procedures or appear as standard elements of the agreements/MOUs with partners. It needs to be noted, however, that within the Nordic Plus an effort is underway to elaborate a common position paper relating to the use of conditions and response mechanisms.

However, irrespective of separate policies or guidelines in practice all donors respond in more or less the same manner to instances where agreements are mismanaged. When signs of mismanagement are detected the standard approach is initially to raise the issue directly with the counterpart institution to clarify matters and demand any misused funds repaid. If the problem is not resolved through these measures, future funding is normally withheld. Agreements are cancelled where no solution at all is found, even by donors who do not have clearly formulated policies for responding to non-adherence to agreements (e.g. Norway).

All donors emphasise the need for a "case by case" perspective for dealing with problems of mismanagement. As a result, the dividing line for deciding at what point to impose any type of penalty is case specific, even for donors who have established policies and guidelines.

¹⁰ The Netherlands use the concept "sanctions policy" and have a clearly formulated policy for this.

3 Conclusions: Barriers and opportunities to DC

This chapter presents our conclusions on the examination of barriers to DC. An outline of the major similarities and differences is made, and we provide an assessment of the differences in relation to how they could potentially affect DC arrangements. Where relevant, recommendations are offered on how to prevent differences from turning into barriers. An important caveat applies, however: It is not the mandate of the consultants to decide if a particular difference constitutes a barrier or not for DC among the donors. The individual Nordic Plus donors must decide for themselves if a particular difference will prohibit them from participating in DC.

3.1 A predominance of similarities in policies and administrative requirements

A primary conclusion of the joint assessment is that **there is a high degree of similarities in the policies and administrative procedures of the seven Nordic Plus donors reviewed.**

Similarities are seen in the major policy priorities and issues related to country programme approaches, aid modalities, decentralised operations, programme cycle management, and use of agreements. It should not come as a surprise since all are active supporters in pushing the international declarations on poverty reduction and aid effectiveness, a commonality that defines their "like-mindedness" and partnership in the Nordic Plus group. As expected, the basic premise of increased collaboration among the Nordic Plus is firmly in place, which means that opportunities for increasing the number of DC arrangements within the group are clearly present.

Box 3.1.a Major similarities in the policies and practices of the Nordic Plus

- The similarities in the overall policy priorities of the donors are significant. **Poverty reduction**, and adherence to the **MDGs**, are shared objectives of all the donors. **Policy coherence** between development and non-development issues is high-lighted as an objective across the board. A significant commonality is seen in the definition of **cross-cutting issues**, which generally include governance, environment, gender, and HIV/AIDS. Also conflict, economic growth, and capacity development are important issues to most. Although not all donors define particular priority sectors, there is a great overlap in the priority sectors of the donors that do define such.

- There are considerable similarities in the instruments used by the donors to translate policies into programmes, particularly the approaches to country programming, aid modalities, and donor harmonisation. Almost all donors use a **country programme strategic approach** where priority areas are defined in a multi-annual framework. In all cases, it is based on an analysis of criteria relating to own policy priorities, partner country policies, governance, public sector (or partner) capacity and the quality of the local institutions of accountability. On **aid modalities**, all donors use a mix of budget support, programme support, and projects with a preference for budget and programme support. For six out of seven donors analysis as a basis for deciding on aid modalities is a prerequisite. It is also given that all donors as supporters of the international harmonisation declarations have incorporated the necessary flexibility and openness towards accepting other donors' systems for the sake of harmonisation.

- Five out of seven of the donors are organised in a highly **decentralised** way with significant authorities delegated to their country level representations for the planning, appraisal, approval, monitoring and dialogue related to programmes and projects.

- All donors follow well-established procedures for **programme/project cycle management** with steps and responsibilities clearly laid out for the planning, appraisal, approval, and monitoring of the support. Country level representations play an important role in the planning and management of programmes/projects even for "centralised" agencies. Programmes/projects are subject to appraisals in all cases.

- On **financial management** all require an annual audited financial statement from a partner's auditor which lives up to international standards and require donor contributions specified in the audited financial report, and several also require that the financial report is linked to results; moreover, any financial management differences between the Nordic+ should be removed by the joint formats referred to in the next bullet.

- In terms of requirements for **agreements or MOUs** all the donors refer to the Nordic+ joint-financing agreement as the basis for arrangements with partner countries, while a specific Nordic+ template is being developed for DC arrangements.

3.2 There are clear differences

But obviously there are differences among the Nordic Plus donors. Some areas of difference may impact on the options to achieve wider harmonisation goals such as "division of labour" but not on the option to use DC between two particular donors. Other instances may impact directly on the opportunity for two or more donors to establish a DC, **which means that it should be consid-**

ered whether they constitute a potential barrier and how a potential barrier could be addressed.

Reference is made to the matrix in chapter 2 for the specific variation between partners, but the broad differences are as follows: There are variations in the detailed policy priorities of the donors and in the requirements imposed by the national legislation for spending and sector focus. There are variations in the actual usage of budget support, sector support, and project support. Differences are also seen in the approach to analysis relating to country strategies, aid modalities, and programmes. Donors are organised differently with some being "less decentralised". Sanctions approaches are not equally well defined in all cases. Finally, financial management and reporting requirements differ on certain aspects.

Major areas of difference in policies and administrative practices among the Nordic Plus donors

<p>Overall policies</p> <ul style="list-style-type: none"> • Detailed policy priorities • Specific policy issues where "coherence" is required • Choice and meaning of cross-cutting or thematic issues • Degree of flexibility implied by sector spending targets
<p>Operational policies</p> <ul style="list-style-type: none"> • Use of country strategies • Approaches to country analysis as preparation of country strategies, aid modalities, and programmes/projects • Approach to selection of aid modalities
<p>Donor harmonisation</p> <ul style="list-style-type: none"> • Perceptions and ends associated with DC • Levels of decentralisation and decision-making authority
<p>Programme planning and management</p> <ul style="list-style-type: none"> • Principles for partner responsibility in programme/project planning • Appraisal as separate and independent step in planning • Institutional capacity analysis • Financial management <ul style="list-style-type: none"> - Treatment of earned interests - Pre-payments - Own national auditors' access to financial documents of partners - Commitments/payments must in national currency or local only - Third-party money in separate accounts - Capacity assessment of partner's systems • Technical assistance - prominent, or to be avoided?
<p>Implementation/monitoring</p> <ul style="list-style-type: none"> • Practical approach to dialogue with stakeholders?
<p>Agreements</p> <ul style="list-style-type: none"> • Legal/non-legal
<p>Accountability and sanctions</p> <ul style="list-style-type: none"> • Explicit sanctions policy

3.3 Differences in policies and policy requirements

As shown, there are differences in some of the detailed policy priorities of the donors and on some of the aspects where policy coherence is required. Differences are also found in the definition of cross-cutting issues and thematic priorities; a cross-cutting issue of one donor may be a thematic priority of another and the nature of the difference and its programming implication are not entirely clear. Further down the planning hierarchy these variations translate into differences in programming requirements and which cross-cutting *or* thematic issues to consider. The differences are potentially minor but the lack of clarity between donors on the meaning and choice of these priority issues may be a barrier. In order to prevent that lack of clarity and difference in the detailed policy priorities of the donors become barriers to DC **it is recommended to reach agreement within the Nordic Plus group on 1) issues that *must* be consid-**

ered in all cases (e.g. gender, HIV/AIDS, governance, environment) and those that may be analysed *when relevant*, and 2) common standards and guidelines to address the cross-cutting/thematic issues.

3.4 Different legislative spending requirements

The earmarked spending and detailed reporting requirements of some donors may reduce the ability of their country offices to respond to local opportunities for engaging in further division of labour arrangements, such as joint assistance strategies. A less than "optimal" allocation of aid in a country could result. Wider harmonisation opportunities may therefore be affected negatively by this, but not the options of DC. Sector or thematic spending requirements can be met through DC arrangements.

3.5 Variations in country analysis

The difference in approach to analysis as a basis for country strategies, aid modalities, and programmes/projects may affect the potential of DC in at least two ways. 1) Potential silent partners with highly specific "diagnostic" requirements may not feel comfortable delegating authority to donors with less exact standards, approaches and criteria for country context analyses. 2) Different analytical approaches may translate into different perceptions about the key political, policy, and institutional issues in a country, which is not conducive for building the shared understanding and mutual trust necessary for DC. Donors therefore should be aware of the analytical approaches of potential DC partners. However, using different approaches to analysis may impact not only on the options for DC but also on the wider harmonisation possibilities related to division of labour. At the same time the experience of this assessment is that obtaining a clear picture of each donor's approach to analysis is a challenge, which, in itself, may be a barrier to DC. In order to prevent that "analysis" becomes a barrier to DC, **it is recommended that the Nordic Plus donors decide on a country specific basis to what extent coordinated or common approaches to analysis (including analysis of political developments) may help promote DC and also wider harmonisation efforts.**

3.6 Decentralised decision-making

In principle, the reduced discretion of some country level representations to make certain decisions independently of the head offices reduce their flexibility to respond to locally driven DC initiatives and engage in further "division of labour". At the same time, significant decentralisation characterises the majority of the donors. Whether, in practice, the limits put on the ability of the local representations to act independently is enough to be barriers to DC is difficult to say. Even the "centralised" DCI has been able to participate in harmonisation initiatives such as the joint assistance process in Zambia, which means it should not be a barrier to participate in DC either. At the same time, head office involvement may also serve the purpose of harmonisation if it ensures that advantage is taken of overall harmonisation instruments and standards. In general, the key to prevent any unnecessary delay or cost arising from head office involve-

ment is to ensure speedy and flexible response in any instances (approvals, QA, etc.) where headquarter involvement is required, possibly by creating fast-track mechanisms.

3.7 Differences in programme planning and implementation

Some donors have explicit demands for partners to assume the main responsibility for programme planning while others seem to keep programme planning as a task undertaken mainly by the donor. It has not been possible to detect if differences on partner involvement in programme planning are also present in practice - it may well be that donors in all cases assume most of the practical responsibility for programme planning based on consultations with partners. Because of the uncertainty on approach **it is recommended in relation to the planning of concrete DC arrangements to verify that the participating donors agree on the approach to partner involvement in programme planning.**

It should be considered by donors if differences in appraisal procedures are barriers to DC. As shown, the main difference relates to whether appraisals are treated as a separate step and in the degree of independence required of the appraisal. To prevent appraisal procedures to become a barrier to specific DC arrangements **it is recommended on a case-by-case basis to ensure that appraisals relating to DC arrangements are based on an agreed appraisal procedure between the involved donors.**

Capacity analysis of the recipient institution is for certain donors central to the decision about whether or not support should be granted and therefore might be a barrier for DC. **It is recommended that common criteria for assessing partner capacity are developed among the Nordic Plus partners**

3.8 Financial management

It should be possible to address the differences in the financial management requirements of the donors by applying the principle followed by all donors to apply own procedures flexibly for the benefit of harmonised initiatives. In practice donors have already agreed on joint-templates, such as the JFA, which establish a common approach among the donors on how to deal with the financial management differences. Moreover, the Nordic Plus template for DC arrangements presently being developed within the Nordic Plus will lead to a common position also on arrangements between Nordic Plus donors. To prevent any differences in financial management procedures to become barriers to DC **it is recommended that the Nordic Plus donors refer to and make use of the already developed Nordic Plus JFA and finalise the completion of the template for DC arrangements between Nordic Plus partners.**

3.9 Capacity development and use of technical assistance/technical cooperation

While there is general agreement between the seven donors on the importance of supporting capacity development of partner institutions, they differ in the thinking of the role of TA in support of capacity building, which may be a potential barrier to DC. Donors favouring a reduced TA role may find it problematic to support arrangements that include TA as an active element. Donors who believe in a clear separation between TA and donor will find it problematic to support initiatives where this relation is not so clear-cut. Common ground may be found in the balance between two sets of factors, namely 1) accommodating the valid criticism during the 1980ies of how TA was provided (high costs, tied, lack of country ownership, sustainable outcomes and transparency) and 2) the reconfirmation of capacity building as a central aim of development assistance in the Paris Declaration, which suggests an important role for TA. Common ground may also be found in the shared principles for use of TA (untied, pooled, part of bigger support programme and demand-driven). To prevent TA approaches from becoming barriers to DC the solution may be to agree on joint operational TA approaches based on agreed principles. **It is recommended as part of the on-going effort to develop a common approach to capacity building among the Nordic Plus that attention is given to agreeing on the principles for use of TA.**

3.10 Policies for responding to non-adherence to Agreements

Donors appear to agree on the broad principles for responding to when partners do not adhere to agreements, but not all donors have specified their response policies. This could be a barrier to donors where the responsibility for responding is linked directly to the Minister. Given the broad agreement that appears to exist regarding the principles of a response policy, **it is recommended that the on-going efforts in the Nordic Plus to develop a common position on the use of conditionalities/responses are translated into a common guideline on response mechanisms in case of non-adherence to agreements by partner governments.**

4 Increasing the number of DC arrangements - issues arising on the way forward

In the preceding chapters we have looked at the policy and administrative barriers that DC may face among the Nordic Plus and how such barriers may be reduced in order to increase the number of DC arrangements. This final chapter briefly introduces issues beyond "policy and administrative" barriers that may influence the number of DC arrangements and what may be needed to bring each theme forward.

4.1 DC and improving the "division of labour"

DC is a means to an end, and the end may vary from case to case. Each case may involve a particular set of issues in terms of reducing the barriers to DC and increasing the number of DC arrangements. The following describes a number of situations where DC plays different roles and involves different issues.

In one possible situation donors in a given country aim to achieve an optimal "division of labour" through joint assistance strategy processes, which in the final stage replace individual donor strategies. Joint assistance strategies, in principle, take an overall country perspective to define the division of labour among donors (as opposed to division of labour within sectors) and include shared country analysis and joint assessments of the PRS, financing needs, and aid modality needs. Accordingly, joint assistance strategies cancel the need for bilateral country strategies and analyses in these countries and remove the barriers within these areas through creation of common arrangements.

Joint assistance strategies have in no country reached the stage where complete "division of labour" has been achieved. Typically the development in donor harmonisation is seen as a progression from coordination around projects towards sector programmes and eventually to sector wide approaches (SWAp), based on the lead donor model. Today the SWAp+ lead donor model prevails in many countries. In the last situation DC is emerging as an option that takes division of labour one step further towards complete division of labour. What makes DC attractive to donors in this situation? Since complete withdrawal from the respective sectors and themes remains difficult for most donors due to the domestic political agendas, DC is seen as a "stepping-stone" where aid ef-

fectiveness is improved but the individual donor can remain present in a sector. Where DC serves as a "stepping-stone" towards division of labour, removing barriers to DC remains an important focus.

In countries like Zambia, Tanzania, and Uganda donors are just beginning to face the challenge of sharing sectors and withdrawing from areas where they are now deeply involved with support and dialogue. With joint assistance strategies taking the centre stage for harmonisation in an increasing number of countries, the interest for DC as a "stepping-stone" may also increase. In these situations a point of contention among donors - also within the Nordic Plus - may be whether "division of labour" should be pursued by way of DC as a "stepping stone", or if DC is an unnecessary detour towards the final situation. A need may arise for discussion among the Nordic Plus on the question of going straight for "division of labour" or pursuing DC as an intermediate step.

4.2 Centrally driven DC arrangements

Another situation arises when DC arrangements are responses to centrally driven policy priorities reflected in "input" targets based on specific thematic or sector policy priorities, or even overall spending pressures caused by increasing development assistance budgets. DC is a useful instrument for these agencies to achieve policy and spending targets set by their national legislatures. It allows the increased funding levels of specific sectors to be met without increasing the administrative input of the agencies. Donor headquarters will typically play an active - if not main - role in pushing for such DC arrangements. We may expect a strong push for DC from this group of donors. Next, the issue will then be if the receiving donors have sufficient capacity to administer the aid on behalf of the others through DC. As a result the question of staffing of country level representations and possible technical support from headquarters of the lead donor will become increasingly important; these issues have been outside the scope of this study but require attention as possible barriers to DC.

4.3 Locally driven DC arrangements

A final group of DC arrangements may be labelled "grass root" initiatives where two or more country level representations exploit a specific opportunity to collaborate. These DC cases are locally driven initiatives, which do not necessarily follow any standard DC formats or guidelines but can be seen as creative solutions of country level representations to local problems and opportunities for cooperation. They are probably present in a great number of variations and possibly also without the full knowledge of headquarters. It is not unlikely that procedures and standards are bent by these country representations in order to find ways to agree on formats of collaboration. Typically, a considerable number of practical obstacles have been confronted and addressed by these local representations, and there has probably also been a lot of "reinventing the wheel".

Many of these DC initiatives probably arise from bold decisions by country level representations to "charge into unknown waters" by engaging in DC ar-

rangements. Other local representations may also have considered to engage in DC arrangements but decided against it because uncertainty and risks were considered too large. It has not been the scope of this part of the assignment to examine the challenges experienced by country level staff in relation to DC, but a general impression is that there is a gap between staff at headquarters and country level in the perception of possibilities and approaches related to DC. An issue arising is to create the enabling formats and standardised guidelines for local representations to exploit specific opportunities on DC, while another issue will be to learn from the practical obstacles faced by country offices and how they have dealt with these. In this respect a report on lessons learned is planned as the next output of the present assignment.

4.4 Risks factors and incentives

Various types of "risks" and incentives have surfaced as barriers to DC in discussions with staff at the donor headquarters. These risks are not clearly defined but relate to the mix of interests that donors may have for deciding against DC. Since this joint-assessment indicates that the Nordic Plus donors are largely similar on the major policies and administrative requirements, and suggests that most differences are manageable, the inclination is to believe that the real barriers to DC are the perceived risks and incentives associated with this type of collaboration.

As noted in chapter 1, it has not been possible to examine risks and incentives related to DC systematically in this joint-assessment. Uncovering these issues of interests and behaviour, which unlike formal policies and administrative procedures are not explicit, requires a different type of focus and methodology than applied for the joint-assessment. But it is nevertheless possible to speculate on some of the main issues at play. As highlighted in a recent study commissioned by OECD/DAC¹¹, incentives may work at political, institutional, and individual levels.

- At the overall political level there may be disincentives to engage in DC because of domestic political pressure to maintain visibility in the sectors, although, as also seen, some donors may embrace DC as an option that maintains at least some presence in a sector compared to the "division of labour" situation.
- There may be institutional disincentives to DC in the form of loss of opportunities to use TA to expand donor capacity to influence a particular sector or theme and work as the ears and eyes of the donor in the counter-part organisation.
- Agencies or embassies may feel uncertain about the capacity of the country level representation of another donor to manage the delegated assistance and dialogue to its own standards.

¹¹ Incentives for Harmonisation in Aid Agencies, Study by Overseas Development Institute for DAC Working Part on Aid Effectiveness.

- Individual staff members at the country level representation are navigating in an environment where the political and institutional signals on DC are not necessarily clear and the frameworks and procedures are sometimes lacking or incomplete. Engaging in DC may therefore be seen as a risk by the individual staff. Are they using the right approach to DC? Will they be penalized for engaging in a DC, especially if it "goes wrong"? Do their political masters really want DC? Will the benefits to themselves be worthwhile of investing the considerable time and effort to establish a DC arrangement? In such an environment the courage, creativity, and judgement of individual staff members are usually important conditions for DC to take place.

In sum, there is no basis for this joint-assessment to conclude on how risks and incentives may be barriers to DC, or how important they are. However, the general impression is that risks and incentives matter and must be addressed within the overall aim to increase the number of DC arrangements. It will therefore be pertinent to ask "what lessons-learned can be established on the risks and incentives for engaging in DC?" and "what best-practices may effectively address these risks and incentives"? As indicated, there are political, institutional, and individual incentives for harmonisation, which work from headquarters down to the individual staff in the country level representations. Understanding these incentives and risk are part of the other two outputs from this assignment, namely the Study on Lessons Learnt (June 2006) and the Practical Guide to Delegated Cooperation (June 2006).

JOINT-ASSESSMENTS OF NORDIC+ AGENCIES

Annex 1

THE DEVELOPMENT POLICIES AND PROCEDURES OF DENMARK

1 Overall Policy Objectives

1.1 Policy Objectives and Specific Priorities

Poverty reduction is the overriding objective of Danish development assistance as defined in the development strategy "Partnership 2000" presented to and approved by the Danish Parliament in 2000. Partnership with governments and other stakeholders in the development process for poverty reduction is a prominent theme in the Danish policy. Denmark's adherence to the MDGs has been consistently repeated in various policy statements, including the presentations of the rolling five-year budget, although they are not mentioned in the "Partnership 2000" document.

Three cross-cutting issues which also serve as discrete goals in themselves must be taken into consideration in all Danish supported activities. These are:

- Equal participation of men and women
- Concern for the environment
- Democratisation and respect for human rights

In addition, four especially prioritised thematic areas exist:

- 1 Globalisation and international co-operation
- 2 Armed conflicts - preventing, settling and reducing the consequences
- 3 Children and young people
- 4 HIV/AIDS

A number of priority sectors have been defined for Danish assistance, including:

- Agriculture
- Health
- Education
- Water/sanitation
- Secondary roads/transport
- Environment
- Business sector

Denmark emphasises policy coherence between development and non-development issues, a requirement that has been advocated publicly by the

Prime Minister. Since 2003 the Danish government has annually presented its major focus areas for the five-year period in connection with the statutory required publication of the five-year rolling plan of the development budget, which has also served to emphasise the main issues where policy coherence is required. According to the most recent version (August 2005), "Globalisation Progress through Partnership", increased focus will be given to:

- the Millennium Development Goals (MDG)
- economic growth
- improved aid effectiveness
- coherence between immigration policies externally and internally.

The overall development budget (ODA) for 2005 is DKK 10.7 billion (approx. EUR 1.5 billion) of which the bilateral share is slightly more than half. The development budget amounts to 0.86 % of GNI in 2005. The government has decided to maintain the support in absolute terms (including average price increase) at the current level in the coming years and not in the longer run to decrease its share of GNI to below 0.8 %.

1.2 Country and Regional Priorities

Denmark presently works with 14 countries defined as "partner"- or "programme" countries. These are countries with whom Denmark has entered into a long-term (horizon 10 - 20 years) and substantial (money-terms normally above DKK 100 million per year) partnership. Presently these are:

- Bangladesh
- Benin
- Bhutan
- Bolivia
- Burkina Faso
- Egypt
- Ghana
- Mozambique
- Kenya
- Nepal
- Nicaragua
- Tanzania
- Uganda
- Vietnam, and
- Zambia

An additional programme country in Africa will be selected later this year (the choice is between Mali, Niger and Ethiopia) while the assistance to Egypt will for the most part be phased out. In addition, Denmark provides environmental assistance to South Africa, Cambodia, Malaysia, Thailand and other South East Asian countries as well as transitional assistance to certain countries in transition from a situation of war to peace.

Denmark prioritises assistance to Africa and has recently presented an Africa strategy. The government has decided that approximately 2/3 of the bilateral assistance should be allocated to Africa, 20-25 % to Asia and 10% to Latin America. South Africa receives also other types of assistance from Denmark, and while not been defined as a programme country in administrative terms function as one.

1.3 Legislative Basis

The legal basis is the "Act on International Development Co-operation"; Act no. 541 of 10th July 1998. Through the Finance Bill (Finansloven), the Danish Parliament exercises a relatively detailed level of control over the different parts of the development budget. The budget for development assistance is presented to Parliament in terms of country frames, with specification of sector allocations in each country. A five-year budget cycle is followed; however, commitments beyond the annual budget are not binding.

Programmes and projects beyond 30 million DKK which have not been defined in the annual Finance Bill must be approved by the Parliamentary Finance Committee.

Danish development assistance will from 2006 be administered on an accrual based budgeting system, while it has until now been based on a cash based system.

2 Operational Policies

2.1 Country Programme Approach

Country strategies must be formulated for each programme country for a period of 4-5 years. The country strategies are approved by the minister after submission to the Parliamentary Foreign Affairs Committee. A country strategy should be informed by Denmark's development policy and previous cooperation with the country concerned, the programme country's own poverty profile and strategy for poverty reduction and the activities of other donors. Strategies are also guided by the preference to concentrate the support in two to four sectors in a programme country (presently Denmark still supports more than four sectors/themes in some countries).

While the format and content of the country strategies are currently being reconsidered in the ministry, the present requirements of the documents are as follows: A country strategy should define the strategic priorities for Denmark's total bilateral development cooperation as agreed with the country concerned. It must be shown how the Danish country programme will be aligned with the partner country's own poverty reduction strategy and procedures, based on review of the PRS and considering support to both the implementation and the improvement of the PRS. The selected priority sectors, specific themes supported, aid modalities and strategies for harmonisation must be presented in the strategies. Indicators for measuring progress of the development in the areas supported by Denmark (based on the indicators in the national poverty reduction strategy) should be included.

The Danish representation in the country usually play an active role in the strategy formulation process but the main responsibility for preparing the country strategy rests with the regional department in the Ministry of Foreign Affairs (MFA) in Copenhagen. Effort is usually made to consult with partner governments as an input to the strategy.

Analysis is required as a basis for the country strategy but the specific needs are determined through an assessment in each case. A broad requirement exists, however, to analyse poverty, economic, and social issues as well as the poverty reduction strategy. No specific requirements exist on detailed criteria to assess, analytical approaches to use or more specific themes to analyse and rate. Denmark is generally in favour of joint-analytical initiatives.

Eventually decisions about the areas receiving support and the aid modalities to use are determined by a broad consideration of the Danish policy priorities, the analyses undertaken, concrete opportunities for collaboration with donors, history, and a political assessment. No structured approach is required to be used to balance the various factors.

2.2 Assessments to Guide the Selection of Aid Modalities

Danish development assistance is provided through a combination of aid modalities. It is stated¹ that the choice and design of aid modalities in a country should be made to ensure the highest possible degree of alignment with national policies, systems and procedures, in conformity with the Paris Declaration and optimise value for money. It is also required that programme based approaches are applied and efforts are made to work towards more harmonised systems for management, implementation and monitoring. Moreover, the choice of aid modalities to be used in a particular country should depend on the conclusions of in-depth analyses of:

- the national policy framework for poverty reduction
- the role and strength of both the private sector and civil society
- the quality of public sector management.²

No requirements exist with regard to approach or guidelines to follow when undertaking the analysis of these themes. However, the guidelines require that the analysis draws as far as possible on already existing analyses, or diagnostics conducted with or by other donors.

In practice, the Danish support is designed and provided according to the specific circumstances in each partner country. It will include a mix of aid modalities, including sector programme support, budget support, projects, and technical assistance.

Danish development cooperation is primarily implemented through **Sector Programme Support** (SPS). In most cases, this approach *combines* a variety of modalities, such as programme support, basket funding, budget support, technical assistance, and projects. The choice of modalities in an SPS, including the specific design of possible sector budget support, depends on the characteristics of partner country policies and national management capacity in the sector concerned, including the quality of the financial management and accountability system within which it operates. Other donors' support will also influence the modalities to be deployed in a SPS.

General **budget support** is provided to a few partner countries and is still of limited significance in Danish assistance relative to sector programme support, but increases are expected in the future. Denmark will normally provide budget

¹ "Modalities for the Management of Danish Bilateral Development Cooperation" MFA June 2005 p.9

² "Modalities for the Management of Danish Bilateral Development Cooperation"

support in partnership with other donors, when reform programmes are in place to strengthen the performance of the country's financial management system.

Decisions to provide budget support will among others be based on an assessment of:

- the poverty reduction strategy and its ability to balance growth and pro-poor policies
- the macro-economic and fiscal situation
- the effectiveness of the public administration to deliver services in a cost-effective manner, as well as
- the quality of financial management, accountability and transparency.

Denmark has an explicit policy on the use of TA, which is an important part of Danish assistance. The policy emphasizes the overall principles of partnership, alignment, ownership and flexibility. The preferred mode is stated as pooling of TA defined and procured by the partner. In exceptional circumstances, the TA may perform a financial control or monitoring function on behalf of the donor.

2.3 Donor Harmonisation Efforts

Denmark is party to the international agreements on aid effectiveness and donor harmonisation. It has not systematically implemented a harmonisation action plan but considers the Nordic+ action plan "its own". Denmark has over the recent years focussed its assistance considerably by reducing the number of countries supported and also the number of sectors supported in each country.

From a Danish point of view, a more effective division of labour among donors can be established in two different ways: 1) By some donors withdrawing from specific sectors or programmes ('the donor concentration model'), 2) or by establishing a division of labour in individual countries and sectors where some donors represent others in the dialogue with the government. A distinction is made in the latter approach between 'the lead donor model', where one donor represents the others in day-to-day interaction with government authorities, and 'the delegated cooperation model', where all management of funds and dialogue with the partner government is delegated to another donor.

Denmark presently pursues the lead donor model combined with elements of the donor concentration model, which will entail greater focusing both within country programmes and within each of the sectors supported. Delegated cooperation "...will be tried in the context of well-established donor cooperation and within the framework of the political priorities set by the Danish government"³. Denmark consequently has no guidelines or other elaborated statements concerning the DC.

Only in July this year did Denmark give the representations permission to explore possibilities for the DC in the form of silent partnerships. Some represen-

³ "Modalities for the Management of Danish Bilateral Development Co-operation" June 2005. p.8

tations (Ghana, Tanzania, and Cambodia) have participated in minor DC arrangements, but on a larger scale it has not yet happened. No political decision on the issue exists and more internal debate in the MFA is needed before a final conclusion can be reached.

3 Organisation and Management

3.1 Overall organisation

A Minister for Development is responsible to Parliament for the Danish development assistance. Management of the assistance is undertaken by the Ministry of Foreign Affairs whose main role is policy setting, quality assurance, and technical advice in relation to the bilateral assistance provided through the representations in the programme countries. The staff and administration of the development assistance is entirely integrated into the ministry⁴.

The Board for International Development Cooperation, which consists of representatives from various Danish interest groups and individuals with special knowledge about development issues, advises the Minister. All development activities with a budget exceeding DKK 10 million (approx. EUR 1.5 million) are presented to the Board for approval.

3.2 Decentralisation

Since 2003, a substantial part of management decisions has been delegated to representations (normally embassies) in the programme countries. Generally, the representations are responsible for the daily management of all Danish supported programmes and projects in the partner country. They initiate revisions of country strategies, present new/revised programmes and projects to the Board (normally through video-conferences), and ensure that reviews are being performed. The responsibility for country strategies rests with the ministry, however.

Representations are responsible for programme planning, while appraisals of larger programmes are done independently and normally by technical experts from the MFA. Programme monitoring through participation in steering committee is also the responsibility of the representations, which can approve programmes and budget changes up to approx. 10 % of a budget line without referring to the ministry. Major changes in programmes and budget normally have to be made after recommendations from reviews, usually involving technical experts from MFA. The representations are also responsible for dialogue with

⁴ The name Danida is still used to describe the assistance provided. I.e Danish International Development Assistance and hence not to describe an organisation.

partners on sector policies, on cross-cutting issues and general developments in partner countries, and prepare the regular high-level negotiations between Denmark and the partner country.

The performance and staffing of the representations are agreed annually through the annual business plan (VPA) between the MFA and each of the representations.

3.3 Decision-making

The law on development cooperation requires that the Minister establishes a Board for International Development Co-Operation to advise her. The Board usually meets every month and approves proposals for programmes or projects exceeding DKK 10 million (approx. EUR 1.5 million).

Country strategies are approved by the Minister, while projects or programmes that are not part of a partner country programme and as such have been approved through the Finance Bill have to be approved by the parliamentary finance committee.

4 Programme Management

4.1 Programme Planning

Overall, Danida's guidelines on programme management emphasise flexibility as a basic principle. The guidelines specifies that only when no other option exists should Danish guidelines be used. For the benefit of collaboration with other donors most of the following requirements may therefore be departed from and guidelines of others may be used.

Based on the priorities defined in the country strategy, the representation together with the national partners and, preferably, other donors, initiates an **identification process**. This process should be concluded by an identification/preparation report for all programmes/projects exceeding DKK 30 million.

On this basis, a short internal **concept note** is presented by the representation to the Programme Committee in the MFA in Copenhagen (chaired by the Head of Bilateral Affairs and consisting of relevant Heads of Departments). The concept note should contain relevant information on the proposed objectives in relation to national strategies, the foreseen management of the programme, such as a steering committee or similar, as well as a process action plan for the further preparation of the programme documentation. The programme committee's review of the concept note must be finalised before further work is undertaken.

A **feasibility analysis** will normally be made by the relevant partners including a socio-economic analysis, an organisational and institutional analysis, technical, financial, environmental screening or Environmental Impact Assessment (EIA), where relevant. An environmental screening must be undertaken for all Danish supported programmes prior to any decision-making as a basis for deciding on the need for a full EIA.

As the next step, a **programme document** is developed based on basic LFA. This serves as the key reference document outlining the agreement between all the parties involved concerning objectives, strategies, implementation modalities, monitoring and evaluation. With the government agreement, the programme document is turned into a legal document. The representation is responsible for the preparation of a draft programme document, including the required analyses of cross-cutting and thematic issues.

An **appraisal** of the programme document must be performed for all programmes exceeding DKK 30 million, normally involving technical service staff from the MFA in Copenhagen. An appraisal focuses on assessments of the alignment of the programme to national policies, cross-cutting issues, the management structures of the programme, risks, and monitoring system.

4.2 Approval

The Board of International Development Cooperation approves all Danish financed activities exceeding DKK 10 million. The relevant representation (or MFA department) presents the proposals to the Board by video-conference, when necessary.

4.3 Implementation (monitoring)

The management structures of programmes and projects must be clearly described, including decision-making and responsibility mechanisms. If no natural decision making mechanisms exist for the partner(s), a steering committee should be established. The decision-making mechanism should be able to take decisions on necessary adjustments to the programme, initiate and act on reviews and be responsible for work plans, reporting and financial management. The donors should be represented in the committee, which should meet regularly.

Generally, half-yearly reporting is required; however, an annual report based on the agreed annual work plan, and including financial reporting, is a minimum requirement.

Annual reviews of the larger programmes are recommended, but at least a mid-term review is a minimum requirement, preferably joint with partners and other donors. In the case of sector programmes exceeding DKK 30 million, technical service staff from the MFA should be involved.

Annually, the representations are requested to assess progress in country and sector programmes but mostly for internal purposes. These assessments, based on the monitoring system in country strategies and programme documents together with the result of performance reviews to the representations in programme countries, are published in an annual performance report. A rating system (A-D) is used.

To complement the monitoring activities, a more comprehensive evaluation of the programme, sector or particular topics relevant to the activities may be carried out. Evaluations are independent, in-depth analyses of results and processes focusing on relevance, effectiveness, efficiency, impact and sustainability of the activities supported (see "Evaluation Guidelines"). The Danida evaluation guidelines are in line with the internationally accepted guidelines through the DAC-committee.

4.4 Financial Management

Accounting principle. Presently, Denmark uses a cash-based financial management system and a five-year indicative rolling budget-planning. From 2006, development accounting will be accrual-based and the draft Financial Bill for 2006 uses an accrual-based budgeting system.

Payments. Disbursements by representations are based on written requests from the partners accompanied by an updated statement of accounts. Disbursements are preferred in quarterly instalments, but based on recipients' needs. Unspent disbursements must be returned to Denmark as well as accrued interest on the funds and possible exchange rate gains (the latter may change soon). Payments are accounted for in DKK, but payments can be made and received in any currency.

Reporting. Partners who receive support are required to submit end-of-year financial statements. The financial statements should be at least as detailed as the agreed annual budget and should accompany a general report on outcomes and relate to the financial statements based on the activity based budget.

Auditing. The annual financial statements must be audited. The support may be audited by the national Auditor General using the national standards, provided that an assessment shows a sufficient standard. Generally, however, international auditing standards (INTOSAI/IFAC standards) should be used, but others can be used if deemed acceptable. Audits must cover the entire programmes, not only the Danish contributions, but the Danish contributions received must be stated. All agreements must include standard clauses permitting Danish authorities to examine the use of funds in relation to the intentions.

4.5 Completion

At the end of a programme, a programme or project completion report (PCR) has to be written, containing documentation for the use of Danish funds and generating lessons learned.

5 Agreements

For all Danish development assistance, an agreement will be entered into with a (or more) partner(s). An agreement is concluded either as an exchange of letters or with simultaneous signatures. Government agreements will constitute a treaty between Denmark and the country in question.

A government agreement will normally describe the objectives, outputs and inputs of the programme and the monitoring, reporting and decision making structures, and not least the financial accounting procedures and audits. Furthermore, it includes an anti-corruption clause.

The final agreed programme document is attached to the agreement and as such forms part of this.

In extreme cases, the agreement is the legal foundation for discontinuing the implementation of the programme.

6 Accountability and Sanctions

6.1 Accountability Requirements in relation to Auditor General, Parliamentary Committees, or other Bodies

The Danish development assistance is overseen by the auditor general as any other government institution; however, no specific reporting requirements exist (although the annual performance report was initiated as a response to discussions with the auditor general).

A statutory requirement is that the parliamentary finance committee receives a written orientation of all programmes and projects. This normally is attached to what is called Danida's annual report, which is a widely publicised report on Danish development co-operation.

6.2 Policy on Response to non-adherence to Agreements and Procedures in the case of Corruption, Non-compliance, Fraud or Irregularities

No comprehensive response policy when a partner does not adhere to agreements is formulated for Danish development assistance, but the MFA has published a "Danida Action Plan to Fight Corruption 2003-2008"⁵.

The more general response policy can be deducted from the following quote: "Danida's development co-operation is based on a high degree of confidence, and Danida expects our co-operation partners to repay this confidence. Misuse of Danida's own funds might occur and this situation will often result in more stringent measures of control In rare cases Danida recommend that a programme or a project is brought to an end. However, a corruption case should never be allowed to develop to this extent. This is why the sanctions imposed by Danida are based upon two main considerations: The level of corruption and the will to rectify evident misuse".⁶

⁵ Revised version December 2003.

⁶ from the MFA web-page on corruption

<http://www.um.dk/en/menu/DevelopmentPolicy/AntiCorruption/>

7 Highlights

- Poverty reduction is the central objective of the development assistance and emphasis on the MDGs
- Policy coherence between development and non-development issues, emphasising coherence between immigration policies externally and internally
- Cross-cutting issues are defined to include equal participation by women and men, environment, democratisation and respect for human rights
- Priority sectors include agriculture, health, education, water/sanitation, secondary roads/transport, environment, business sector while priority themes include globalisation and international cooperation, armed conflicts/settlement, children and young people, HIV/AIDS
- Programme countries defined (14)
- Country strategies used
- No specific assessment tools for country analysis or analysis of aid modalities, but general analytical criteria and process defined
- TA is an important part of the development assistance
- DC is not actively promoted as a form of collaboration and is primarily viewed in relation to joint-assistance processes
- Decentralised management of the development assistance with decision making on programmes above DKK 10 million requiring approval by the Board in Copenhagen
- Programme planning process involving identification process, concept note, feasibility analysis, and LFA-based programme/project document

- Separate appraisal by ministry of foreign affairs technical staff for all support above DKK 30 million
- Annual (or less frequent) reviews generally required
- Financial management: Moving from cash-based to accrual based accounting, prepayments allowed, interest/exchange rate gains to be returned (may change), international auditing standards preferred.
- Uses Nordic+ JFA
- Legal type agreements with partner countries and other donors
- No specific policy for response to non-adherence to agreements exists but an anti-corruption policy exists

8 List of Documents studied

1	"Denmark's Development Policy. Strategy. Partnership 2000" October 2000, Min. of Foreign Affairs, Danida
2	"Globalisering - fremskridt i fællesskab" Danida - UM, Aug. 2005.
3	"A World of Difference" June 2003. Min. of Foreign Affairs, Danida.
4	Security, Growth - Development". Aug. 2004 Min. of Foreign Affairs, Danida.
6	"Africa: Development and Security" January 2005.
7	"Modalities for the Management of Danish Bilateral Development Cooperation" June 2005
8	"Guidelines for Programme Management" 4 th Edition, April 2005
9	"Guidelines for Revision of Country Strategies" June 2005
10	"Finanslov for finansåret 2005" Tekst og anmærkninger (ajourført) §6 Udenrigsministeriet" Finansministeriet n/a (2004)
11	"Guidance Note on the Provision of Budget Support" 1 st Edition October 2003.
12	"Guidelines on Standard Government Agreements for Bilateral Development Programmes" March 2001
13	"Technical Assistance in Danish Bilateral Aid -Policy Paper" February 2004
14	"Organisation Manual for the Management of Danish Development Co-operation" September 2005

15	"Danida Action Plan to Fight Corruption 2003- 2008" Revised Version December 2003
16	"Evaluation Guidelines" February 1999
17	"Guidelines for Project Management" November 2003
18	"Danida's Årsberetning 2004" 2005
19	"Programme and Project Completion Reports". August 2003
20	"2004. Annual Performance Report." April 2005

JOINT ASSESSMENTS OF NORDIC+ AGENCIES

Annex 2

THE DEVELOPMENT POLICIES AND PROCEDURES OF FINLAND

1 OVERALL POLICY OBJECTIVES

1.1 Policy objectives and specific priorities

Finland's development policy is presented in the Government White Paper, Resolution 5.2.2004 "Development Policy". After the general elections in the spring of 2007, it is anticipated that a new policy document will be published in order for the new Government to present its term of office. Finland's development policy is part of its foreign policy and implemented by the Ministry for Foreign Affairs (MFA).

The overall objective of Finland's development policy is to contribute to the eradication of extreme poverty in developing countries. Prevention of environmental threats, promotion of equality, human rights, democracy, and good governance as well as increasing worldwide security and economic interaction are identified as supporting goals that help to bring about a conducive environment for well-balanced development and poverty reduction. Finland's development policy is based on a commitment to the values and goals of the UN Millennium Declaration and the MDGs.

Cross-cutting themes in Finnish development policy are: 1) promotion of the rights and the status of women and girls, and promotion of gender and social equality; 2) promotion of the rights and equal participation opportunities of marginalised groups (including children, the disabled, indigenous people, and ethnic minorities); 3) environmental issues.

Cross-cutting themes should be mainstreamed into all projects and programmes and are also supported by targeted project and programme interventions. A full fledged environmental impact assessment, gender impact assessment etc. are not mandatory, however new projects and programmes as a rule include an assessment of their impact on the environment, gender, and marginalised groups.

A rights-based approach, emphasising that all groups have an equal right to benefit from development, and promotion of sustainable development are important features of Finnish development cooperation.

Finland's support for developing countries in implementing the Millennium Declaration is guided by the poverty reduction strategies of the partner countries. Finland has a wide range of priority sectors and themes focusing the bulk of its assistance within the following areas and activities: health; education;

forestry; sustainable natural resources management; rural development and food security; HIV/AIDS; social security; employment and labour market; water and sanitation; and information society.

The supporting goal of "democracy, good governance and human rights" has made cooperation within this area the largest "sector" in Finland's development cooperation when measured by disbursement. However, the current DAC-classification does not allow very detailed and unbiased assessment on sector distribution in disbursements.

Finland is committed to promotion of a coherent approach to development. The development policy refers to coherent activity in all sectors of international cooperation and domestic national policies that have an impact on the status of developing countries, including security, human rights, trade, environment, agriculture and forestry, education, and health and social, immigration and information society policies. Development cooperation is regarded a key instrument of development policy. Finland in particular aims to use the instruments of development cooperation, trade and security policy in a coherent manner.

In 2003 the Government of Finland formed the Development Policy Committee mandated to advise the Government on Finnish development work; evaluate the quality and effectiveness of development policy including monitoring of the levels of public funding for development aid. The Development Policy Committee has cross-sector representation (parlamentarians, academics; private organisations, trade unions, and technical experts from line ministries etc.). The Committee has a strong focus on policy coherence and gives policy advice to the MFA in its operations. In the international field, Finland promotes policy coherence in the EU, the OECD, and the UN etc.

Finland is committed to the aid effectiveness agenda and the implementation of the Paris Declaration. The Government of Finland intends to seek a further concentration of development activities in fewer countries and fewer sectors in each country and to move from project work towards programme support - i.e. to the greater entities of sector support and budget support in order to improve the effectiveness of its cooperation.

Finland is committed to achieve a level of 0.7% of GNI for development cooperation by 2010. In 2006 the expected level will be 0.43% increasing to 0.44% in 2007. The budget allocated for development assistance in 2005 was EUR 600.09 million equivalent to 0.39% of GNI (actual disbursements in 2005 rose up to 0.47% of GNI, mainly due to debt relief). The bulk of the budget was used for bilateral development cooperation. Finland aims to use 0.15% of its GNI for the Least Developed Countries (LDCs) by 2010.

The political climate in Finland is positive towards the increase in development cooperation. The ruling parties, the opposition, as well as the general population are in principle in favour of an increased engagement by Finland in development. After the elections in March 2007 the new Government will be responsible for putting the ODA-commitments into practice.

1.2 Country and regional priorities

Finland undertakes development assistance in Africa, Asia, and Latin-America. Currently, Finland has eight long-term partner countries:

- Ethiopia
- Kenya
- Mozambique
- Tanzania
- Zambia
- Nicaragua
- Nepal
- Vietnam

The selection of long-term partner countries is based on criteria set out in the Decision-In-Principle on Operationalisation of Development Policy Objectives in Finland's International Development Cooperation (2001). The criteria are based on commitment of the partner country to poverty reduction, democracy, human rights, sustainable development, and economic policy which enables poverty reduction; as well as prerequisites such as a Finnish diplomatic mission in the country and Finnish actors' experience of cooperation with the country. According to the Decision-In-Principle bilateral programme-based cooperation is limited to the long term partner countries. This restriction also applies to budget support, although there have been exceptions to this rule (for example, support to Afghanistan). According to the Finnish MFA's guidelines for direct budget support (2004) "granting budget support to other partner countries can be considered case by case in collaboration with other donors (for example the unarmarked grant to East Timor 2002)".

Finland's present cooperation with Egypt, Namibia, and Peru is in transition from emphasis on development cooperation to more diversified cooperation, including commercial and institutional cooperation.

In addition to the above, Finland has cooperation with a broad range of other partner countries. This cooperation is characterised by limited duration of involvement and participation in joint financing arrangements, where possible. The majority is post-conflict countries. Bilateral grant-based cooperation is adopted in projects that: 1) enhance peace and security; 2) promote cooperation with the private sector; and 3) are in support of human rights, democracy, and good governance.

Finland is involved in regional cooperation primarily through the EU and inter-governmental regional organisations. As part of its concentration efforts, Finland will reduce the number of countries where it is active and give more focus to the eight long-term partner countries and to cooperation of limited duration with fragile states. The Government's goal is to focus 60% of country-specific and region-specific support to the eight partner countries and to increase the annual disbursements to each long-term partner country to a minimum of EUR 10 million a year. However, the 60% goal has not been fully achieved.

1.3 Legislative basis

The most remarkable legal basis for Finland's development cooperation consists of annual state budgets and the stipulations regarding the development cooperation. As such, there is practically no other legislation governing development cooperation issues only (with the exceptions that the ODA element of officially supported export credits is governed by a law as well as the issuance of an annual report on development cooperation by the Government to the Finnish Parliament).

In addition to the 2004 Government Development Policy Resolution one of the important guiding background documents for Finland's development cooperation is the 2001 Decision-In-Principle on Operationalisation of Development Policy Objectives in Finland's International Development Cooperation.

The Government of Finland operates with annual budgets and five year rolling operating and financial plans (TTS). The Finnish budget year follows the calendar year.

The Parliament decides on the budget appropriations and budget (commitment) authorities on an annual basis. The authorisation of funds for development cooperation is granted to the MFA. The total development cooperation budget is allocated to nine broad budget categories in the state budget according to themes or instruments such as: multilateral development cooperation; European Development Fund; bilateral country-to-country and regional development cooperation; humanitarian aid; NGO cooperation; evaluation and internal auditing, etc. The Government makes a more detailed decision on the targeting of the budget (commitment) authorities annually.

The Minister for Foreign Trade and Development has the authority to decide on the use of the development cooperation appropriations to various projects and programmes (decision to grant funds). The Minister decides on the allocation of the development cooperation appropriations to different departments and performance areas within the ministry (the internal budget). The Minister also decides on the distribution of deferrable appropriations remaining from the last two years to the performance units. The Director General of the Department for Development Policy can decide on appropriations and authorities amounting to a maximum of EUR 200,000. However, decisions on a number of themes and activities, such as annual support to multilateral organisations, thematic support, NGO project support, and humanitarian assistance are made by the Minister also when they are not exceeding the said amount.

The MFA has commitment authority. This enables the MFA to enter into long term cooperation arrangements. Presently, there is no official time limit to the commitment period, however most often the MFA will use the commitment authority to guarantee funding for a programmed activity for a 3-4 years period. The commitment authority enables the MFA to provide a high predictability of Finnish development cooperation. Each year, the MFA has to stay within the budget ceiling for that particular year, which governs the use of commitment authority respectively. However, funds can be shifted between budget lines

within the annual budget. This requires a rather lengthy administrative procedure. As a rule, modifications between different budget lines are made 2-4 times per year.

The MFA also has the opportunity to make changes in accordance with the Decision-In-Principle to the commitment authorisations (or authorities), should, for example, serious political factors in cooperation partner countries so require. In 2005 the use of the authorisations differed from the original bilateral allocation in all but four countries.

2 OPERATIONAL POLICIES

2.1 Country programme approach

Finland's approach to country programming takes the poverty reduction strategy as its starting point. Rather than preparing country strategies, Finland bases its cooperation on a rolling country planning exercise supported by high level bilateral consultations every two or three years. The consultations do not only cover development cooperation issues but also political dialogue and trade issues. The commitment authority of the MFA enables Finland to commit to multi-year projects and programmes.

The high level consultations are based on a mandate with a fixed format. This is sometimes referred to as the country strategy. The background analyses for the mandate cover the following:

- The basis for the relations between Finland and the partner country, challenges and possibilities. This includes a political, social and economic analysis of the country and an analysis of whether the country fulfils the criteria set for long term partner countries.
- An analysis of the development strategies/PRSP/programmes of the partner country.
- An assessment of Finland's development cooperation in the context of aid coordination and harmonisation, including division of labour between partners.
- An analysis of the cooperation between Finland and the partner country with respect to political relations; economic and trade relations and development cooperation relations.
- The goals and means to promote relations between the two countries.
- The cooperation programme between the two countries.

Based on the above assessments, Finland's views are formulated and presented in the form of the mandate for negotiations. The analytical work and the draft mandate is discussed in preparatory meetings in which representatives of the

relevant departments of the MFA, the Development Policy Committee, and, as needed, other relevant parties outside the Ministry are invited.

The Development Policy Committee has the opportunity to comment on the draft mandate before it is tabled to the internal Development Policy Steering Group "KEPO" at Directors General level. Finally, The Minister of External Trade and Development approves and signs the mandate prior to the bilateral negotiations.

The main responsibility for the preparation of the background analyses for the mandate and the high level consultations lies with the geographical department and the respective country team. The Embassy contributes to a great extent and also brings the views of the partner country authorities. Other departments also participate in the preparation, most notably the Department for Development Policy.

Although the negotiations are comprehensive, dealing also with political and economic issues, the head of the delegation of the partner country is usually from the Ministry responsible for the co-ordination of external financing/development co-operation, in most cases Ministry of Finance. Representatives of other relevant ministries /institutions are invited to participate in the meeting. In some cases parts of the Agenda can be executed in separate meetings, e.g. the political part with the Ministry of Foreign Affairs.

The high level consultations result in Agreed Minutes, signed by the heads of the two delegations. The Agreed Minutes is shared with the programme counterparts and other donors.

The selection of sectors for a country programme is based on the request of the partner country and considerations of Finland's comparative advantage in that particular sector in the partner country, availability or possibility to provide expertise at the Embassy, and also taking into consideration the distribution of labour between the donors.

As joint assistance strategies (JAS) or similar methods of planning are being taken in wider use in partner countries, Finland together with other donors will have to review its mechanisms for programming aid and adapt them to the new circumstances. In its 2006 Annual Statement, the Development Policy Committee suggests that the creation of country strategies be considered by the MFA. The Committee discuss whether the move towards JAS will make Finnish country strategies redundant or whether there will be a need for country strategies as it becomes increasingly important that Finland has clear goals for cooperation with its partner countries in a time where donors work jointly.

2.2 Assessments to guide the selection of aid modalities

The choice of aid modalities in a country programme takes direction from the overall Finnish policy priorities. Finland uses a mix of modalities in each coun-

try. Considerations of an adjustment of the use of modalities will be part of the annual programming and budgeting exercise.

Finland's development assistance is channelled through budget support, sector support and projects. At present project cooperation is still the dominant cooperation form, but Finland has a clear goal of moving from projects towards programme and general budget support. Budget support takes priority over joint financing in the form of baskets. In 2005, 6.5% of country and regional ODA disbursement took the form of general budget support; 16.5% took the form of sector basket support and 77% was project aid. The use of general budget support is rapidly increasing.

Finland has guidelines for programme based aid, including a guideline for general budget support (2004) and a new guideline for sector support (2006 which is presently only for trial use); and for project support (1997; electronic version regularly updated).

Finland has no fixed guidelines or assessment methods for deciding on the mix of modalities to apply in a country. However the new sector support guideline partly covers this topic. According to the new guideline Finland can support a sector programme through a project, basket fund, sector budget support, and technical assistance. The guideline includes the policy stance that Finland should channel its sector support as much as possible through the partner government national budget system, meaning that budget support is preferred from parallel funding and baskets. The guideline also includes a section on the choice of aid modalities and an annex with a set of checklist questions to be used in the analysis to be made in the preparatory phase. In addition, the guideline includes a part on technical assistance in sector support.

In May 2006, the internal Development Policy Steering Group (KEPO) approved a memorandum on the development of a new programme document tool for programme aid (budget support and sector support). The tool is meant to further operationalise the more general principles and objectives outlined in the guidelines for budget support and sector support. The new programme document will include an effectiveness analysis (objectives and anticipated results plus a risk analysis, fiduciary risk analysis and political risk analysis) and based on this an advocacy strategy outlining what themes Finland will focus on in the budget support and sector support dialogues and how Finland will seek to influence the policy dialogue to make the cooperation more effective. These programme documents will serve as background documents for decisions on programming of funds. The new tool will be piloted in four of the eight long term partner countries in 2006 and a more detailed manual will be made in 2007 based on the lessons learnt.

Criteria for moving from projects to a programme approach would include the presence of and ownership to a sector strategy in the country and the possibilities of harmonisation and alignment, for example the possibility to join a SWAp. Budget support will only be applied if other donors are engaged in the support and if it is based on joint financing arrangements with other donors. A further prerequisite for participation is the willingness of the donor community

in the given partner country to create a common policy regarding budget support.

Technical advisers (TA) are attached to projects and programmes after agreement with the partner government on the need for TA. Most TA's are employed as part of tenders in competitive bidding for project/programme implementation. They would normally refer to a Project/Programme Steering Committee with representation of both the counterpart institution and Finland. Legally they are employed by the consultancy company, which has been tendered by MFA for project/ programme implementation. A preference for local advisers and a move towards hiring of advisers by the partner government is expected as part of the shift to programme approaches and joint donor assistance.

2.3 Donor harmonisation efforts

Finland is committed to the aid effectiveness agenda. The commitment is confirmed both in the Government's White Paper on Development Policy from 2004 and in the Annual Statements (Reports) by the independent Development Policy Committee to the Government. The 2006 Statement to the Government makes a direct reference to the Paris Declaration and discusses and recommends on how Finland can further adjust its development cooperation in order to improve aid effectiveness. The Statement refers to delegated cooperation (silent partnerships) as a means to create a clearer focus of Finnish expertise and mutual division of tasks between the EU Member States.

In 2004 a national Harmonisation Action Plan was prepared by the MFA based on the 2003 OECD/DAC Good Practices Document "Harmonising Donor Practices for Effective Aid Delivery" and the concurrent Nordic Plus Harmonisation Plan. The Harmonisation Action Plan outlined Finland's harmonisation priorities at global, headquarter and country level. It also identified key areas where future action were needed, or where DAC recommendations were already implemented. The plan and its implementation were seen as an input to the 2004 development policy. However, since the Paris Declaration has now become the guiding yardstick in harmonisation the national plan has not been actively updated.

The MFA has an internal working group on aid effectiveness. The working group provides guidance to the embassies on practical issues experienced in the field from implementing the aid effectiveness agenda. If the issues are of more principal nature or of wider interest the working group drafts the Ministry's position on the matter and forward it for discussion in the internal Development Policy Steering Group (KEPO) at Director General Level. Depending on the discussion in KEPO and if relevant, the answer to the raised issue becomes the MFA position on the issue and information will be forwarded to the relevant embassies.

So far, the short "guidance notes" prepared by the internal working group on various aid effectiveness issues have not been compiled into a guideline. However, as part of the planned review of the implementation of the current White

Paper and the preparations for the anticipated new development policy by the next Government, the MFA will take stock of the need for a new harmonisation action plan and/or guideline on aid effectiveness in 2007. As the present action plan from 2004 was prepared before the High Level Forum in Paris in 2005, this exercise will also allow the MFA to formulate its position with reference to the Paris Declaration and the subsequent work of the OECD/DAC aid effectiveness group in which Finland participates.

The Controller of the Finnish Government approved Finnish participation in delegated cooperation arrangements in November 2005. An opinion from the Controller of the Finnish Government 8.11.2005 spells out the following principles:

1. It is possible to apply delegated cooperation arrangements where the support is technically granted to the lead donor to be used for the programme activities of the partner country.
2. Because the appropriation is used outside the jurisdiction of the Government of Finland, it is required that the parties (delegating and lead donor) agree on the activities, including for example the reporting obligations toward delegating donor (Finnish MFA).
3. The lead donor makes a programme arrangement with the partner country, the purpose of which is to make sure that the lead donor and delegating donors receive the necessary information on the progress of the supported programme;
4. The MFA is responsible for the supervision and reporting within the framework of state budget preparation cycle that the appropriation funds are not misused. The MFA executes this responsibility based on the information that it receives within the framework of the arrangement that it has with the lead donor.

The independent Development Policy Committee and the MFA are in favour of Finnish participation in delegated cooperation arrangements and Finland already participates in a few DC arrangements. There is a guidance note prepared by the aid effectiveness group and agreed by the Development Policy Steering Group. However, so far MFA has not prepared a specific policy or guideline on delegated cooperation nor made any political decision concerning the criteria for the participation in delegated cooperation arrangements.

As Finland does not operate with input targets for sectors and because of the strong policy of concentration, the main motive for Finland for entering into a DC arrangement will be to use complementarities to achieve a more effective division of labour and thereby increase aid effectiveness.

The Finnish motivation for entering into DC arrangements should be understood within the broader context of the on-going concentration of Finnish development cooperation to fewer partner countries with a scaling-up of activities in the long-term partner countries as well as the decision to engage with a

maximum of three sectors (plus budget support) in each long-term partner country. One reason for the concentration policy is the aim of being visible and active in the few countries and few sectors selected for Finnish cooperation instead of having a thin representation in many countries and many sectors. A position as lead donor in a delegated cooperation arrangement matches this element of the concentration policy better than a position as co-partner. However other factors, including division of labour and complementarities may make a position as co-partner attractive to Finland. Therefore the need for the option of delegating is recognised, even if the concept is not always actively sought after.

3 ORGANISATION AND MANAGEMENT

3.1 Overall organisation of the development cooperation

Finland's development policy builds on coherence, drawing on a range of public and private sector actors in Finland. The MFA has overall responsibility for implementing development policy and development cooperation and for coordinating between key parties in Finland including other ministries, government agencies, and institutions as well as the private sector and NGOs. The MFA is at the political level headed by three ministers: the Minister for Foreign Affairs, the Minister for Trade and Development, and the Minister for Nordic Cooperation. The highest official in the MFA is the Secretary of State. The MFA has four Under-Secretaries of State, one of them responsible for development policy and development cooperation.

The MFA has three policy departments, five operational departments, and other departments which include the Department for Legal Affairs, Communication and Cultural Affairs, Administration, and some other smaller bodies. All departments are at equal level in the organisation. Each department is further subdivided into units. The planning and implementation of Finnish development cooperation involve resources and staff from almost all departments. However, the key entities for development cooperation at headquarter level are the Department for Development Policy; the Regional Department for the Americas and Asia; the Regional Department for the Middle East and Africa, the Regional Department for Russia, Eastern Europe, and Central Asia, the Department for Europe and the Department for Global Affairs.

The Department for Development Policy is large (approximately 80 employees) and sub-divided into units, including: Unit for General Development Policy and Planning; Unit for Sector Policies (staffed by sector specialists); Unit for Evaluation and Internal Auditing; and NGO Liaison Unit. The Regional Departments are sub-divided based on geographical sub-regions. The Department for Global Affairs is sub-divided into units of general global affairs, social and economic affairs, development finance institutions, international environmental affairs and humanitarian aid issues.

The Department for Development Policy is responsible for Finland's development policy and for development cooperation issues in the EU and the OECD/DAC. The Department is responsible for the quality control of Finnish

development cooperation and the development and guidance related to development cooperation, including new methodologies, regulations and instructions. It is also responsible for evaluation and internal inspection of development cooperation. Other responsibilities include overall responsibilities in relation to development cooperation planning, action plans and financial planning; budgetary groundwork; financial administration, statistics and reporting as well as NGO cooperation, research, concessional credits, and production of training material and participation in training of staff.

The country desk officers in the Regional Departments are responsible for operations, which include preparation, implementation, and monitoring of the development cooperation in the form of projects and programmes on the ground. The country desk officer is responsible for the presentation of project and programme proposals for the granting of ODA funds for consideration by the Quality Assurance Board, and based on the recommendation of the Quality Assurance Board for submitting the proposal to the Minister for approval. The desk officer is responsible for the procurement of consultancy services as well as for making financial transactions concerning individual interventions. The desk officer is also responsible for presenting inter-governmental agreements for approval and signature by the respective decision-maker. Finally, the desk officer is responsible for reviewing the status of implementation of specific interventions and the country portfolio as well as financial planning and monitoring.

The Embassies are under general guidance by the Regional Departments.

Due to the dual nature of the MFA's structure (policy and operational departments) the use of country teams has been further developed during the past 4-5 years. A typical country team is headed by the desk officer in charge of a given country, aided by a junior officer, the other members being the officer and experts of the Finnish Embassy, sector or thematic experts at the MFA and, as appropriate representatives of MFA's EU development policy team. The country team is responsible to a great extent for preparing, planning, executing, following, and monitoring the development co-operation in a given country.

The MFA has two important coordination bodies in relation to development cooperation. The Development Policy Steering Group (KEPO) at Director General level and headed by the Director General of the Development Policy Department and the Quality Assurance Board headed by the Deputy Director General of the Development Policy Department.

KEPO consists of the Director Generals or Deputy Director Generals of all departments of relevance to development cooperation. KEPO meets twice a month and discuss all important policy issues as well as operational issues, including for example Finland's participation in JAS processes or in general budget support; mandates for bilateral negotiations etc. and also for example issues related to the annual programming and budgeting in the MFA. The KEPO is not directly a decision making body but it rather seeks a common understanding and line to take in development policy issues between different de-

partments. The administrative decisions are made according to the internal statutes of the MFA. The final decision or approval will often be with the Minister.

The Quality Assurance Board consists of staff from different units in the Department for Development Policy as well as staff from other Departments. All projects and programmes with a value above EUR 5 million has to be presented to the Quality Assurance Board at least twice during the preparation period, while smaller projects/programmes needs to be presented at least once. The main task of the Board is to provide the actual decision makers (the Minister or the Director General) with sufficient information for the decision to be made. The Board meets weekly and can refer the proposed projects and programmes back to the responsible unit for further work if quality standards are not met and/or advise the Minister/the Director General to approve/disapprove the project/programme.

Interventions with a total value of more than EUR 5 million need to be handled in an all-Cabinet Finance Committee before the Minister can make a decision on the matter. The Committee is a statutory ministerial committee preparing economically important issues by giving its opinion on them to the General Assembly of the Government or to a ministry.

Staff working on development cooperation at embassies and at headquarters is internal MFA staff and a mix of generalists and sector specialists. With the increase in the volume of development cooperation and a government decision that 5% of the increased aid volume can be used for administration, including additional staffing in the MFA, the number of staff has been increased over the last three years and the embassies in the eight long-term partner countries have in particular been strengthened substantially. The majority of the new staff has a sector specialisation background and many are employed by the MFA on fixed term contracts, for example 2-3 years. If a Finnish Embassy takes on the role as lead donor, KEPO has decided that the Embassy in question needs to have adequate human and other resources to carry out the task.

3.2 Level of delegation

The Ministry for Foreign Affairs remains a highly centralised organisation. Up till now, the relevant regional department in the Ministry has been the main responsible authority throughout the programming cycle from identification to completion. However this is under change. As a performance management system is gradually being implemented in development cooperation, delegation of decision-making to the embassies will be increased. In the first phase of this decentralisation process the decisions on funds for recurrent costs has already been delegated to the embassies. The current administrative regulations allow the Ministry to grant specific appropriations for the embassy to be used for the preparatory and implementation tasks attached to a sector programme. The Ministry can reserve the authority to make formal decisions, i.e. approval of the arrangement document, or delegate this authority to the embassy.

The preconditions for the decentralisation have gradually been fulfilled over the past few years: the embassies have been strengthened with more sector specialist staff a performance management system is coming into shape etc. Performance agreements will be introduced to all embassies in 2007, and another requirement, that is a further strengthening of financial systems and administrative capacities are also planned.

As a positive result of the increased sector specialist capacity at the embassies more of the preparation work is already now being handled at the embassy level, the quality has increased and decision-making has become quicker.

Embassies administer Funds for Local Cooperation (FLC), in support of local activities that have a clear aim of developing civil society. Planning, implementation and monitoring of FLC is the responsibility of the Head of Mission. FLC annual plans are forwarded to the Regional Department, which again is responsible for forwarding a draft FLC plan to the internal Quality Assurance Board in the Ministry for approval.

3.3 Decision-making

Currently, the normative framework allows for the Ministry to grant budget appropriations to the embassies to be used for the preparations of planned sector programmes. The Ministry has piloted this approach in Nicaragua, where the embassy was given its own budget allocations to prepare the sector programme at its discretion without any interference by the Ministry on the preparation process.

If the embassy is not given a special appropriation for the preparation of the sector programme, the preparation funds are administered in the Regional Department in question.

Only the Director General of the Department for Development Policy can approve funding up to EUR 200,000 whereas the Minister approves all other appropriations to programmes and projects.

Mandates, Memorandum of Understandings etc. will need to go to headquarters for discussion in KEPO and approval by the Minister.

4 PROGRAMME MANAGEMENT

Finland's development assistance is channelled through budget support, sector support, and projects. Approximately three quarters of the development assistance is channelled through project assistance. But the policy is to move more towards sector and budget support, based on the commitments in the 2004 White Paper.

Finland now has three sets of guidelines targeted at project support, sector support and budget support respectively. In practice the project guidelines remain the most widely used since projects still dominate the support and sector and budget guidelines have only been developed recently. The project guidelines were first developed in the late 1990ies, but have been updated regularly since then. The budget and sector support guidelines are from 2004 and May 2006 respectively. The following therefore takes its starting point in the project guidelines but refer to the principles and statements of the sector and budget guidelines where relevant. All three guidelines are very flexible based on what the Ministry labels 'common sense'.

4.1 Programme planning

Projects and Programmes¹ are initially identified during the bilateral consultations every second or third year with the partner country.² The policy of supporting a maximum of three sectors is an important basis for deciding on projects. Another criterion is where Finland has comparative advantage, as well as the thematic expertise available at the embassies. After the agreement of sectors to be supported the identification phase is initiated.

The project guidelines require that **identification** is based on an initial problem statement of the stakeholders. Based on this statement, terms of reference for the identification mission are normally developed as a joint process between the partner country and the MFA, with input from the Embassy. The identification process is typically contracted to a consultancy firm, which is expected to deliver an identification report to the Ministry. The objective of the identification phase is to ensure that there are sufficient grounds for a following project formulation. Criteria for proceeding include:

¹ Finland defines programmes as covering both sector and budget support.

² In addition Finland has annual and biannual consultations with all partner countries.

- Assessment of premises for overcoming the identified development obstacle.
- Importance of project vis-à-vis PRSP and related national and sector plans.
- Complementarity to other donor activities.
- Embassy resources available.
- Relevance to Finland's development and foreign policy.

The identification mission produces a report, which is discussed with the partner country and presented to the embassy and an internal expert group for review. Following this review the report will need to be endorsed by the internal Quality Assurance Board in the Ministry. If approved the report provides guidance for the following formulation mission.

The **project formulation** is usually undertaken by both the partner country and a service provider based on a set of terms of reference developed by the partner country and the MFA. The Ministry or embassy does not participate directly in the formulation mission. In practice the identification and formulation are often combined in the same terms of reference as one exercise.

The project document outlines the overall objectives, purpose and intervention strategy of the project. The strategy is detailed to the extent that it includes activities, means for implementation and indicators for monitoring and evaluation.

Any capacity assessment of partner institutions is undertaken during identification and formulation. The approach and criteria for the assessment varies in accordance with the context and is outlined in detail in the terms of reference of the identification and formulation missions. There is no systematic requirement or approach to capacity assessment.

In case of budget and sector support Finland will base its cooperation on the Joint Financing Arrangements of the Nordic+ donors. Finland will engage in sector or budget support only when other donors are involved. In addition to the criteria set for long-term partner countries (set in the Decision-In-Principle from 2001), the following prerequisites should determine Finland's participation in sector and budget support:

- Transparency in the budget process and sufficient planning and financial capacity in the partner country.
- Enabling partner-donor dialogue.
- PRS progress as a condition for disbursements.
- Conditionality and monitoring mechanisms agreed upon between government and financing partners.

- Finnish embassies have sufficient knowledge of programme-based cooperation.

4.2 Approval

The draft project document will need to go through an **appraisal** process. The MFA together with the partner country formulates the terms of reference for the appraisal team, which is then contracted out to a service provider. While the identification and formulation mission can be undertaken by the same service provider the appraisal team will have to be independent in the sense that another service provider will be responsible. Neither the Ministry, embassy or partner country takes directly part in the appraisal mission.

The mission will produce an appraisal report, which will focus on whether the assumptions and design criteria for the project are correct. The report may recommend amendments to the objectives, content and scope or mode of implementation of the project. The appraisal report will serve as the basis for the finalisation of the project document. The final document will then be presented to the Quality Assurance Board in the Ministry before approval by both Ministry and partner country.

The new sector support guidelines, which will be implemented in the future, require that sector support is approved through the annual appropriations. Appropriation will have to be prepared in the previous spring while the annual budget is being drafted. The planning, implementation, monitoring and reporting of the support are outlined in the joint financing arrangement based on negotiations between government and donors including Finland. The final legal commitment to budget and sector support is a bilateral agreement that supplements the joint financing arrangement specifying Finland's contribution, the payment schedule and any special provision set by Finland. The joint financing arrangement will therefore have to be in place prior to Finnish approval of granting funds. The contents of the bilateral agreement are ultimately determined by the joint financing arrangement. In case of inconsistencies between the two the bilateral agreement will prevail.

The final decision to grant funds for sector and budget support is taken by the Minister for Foreign Trade and Development.

4.3 Implementation (monitoring)

Finland uses a relatively proactive approach to monitoring. This reflects the Finnish policy of emphasising influence in areas where Finland provides support. Various channels are used for monitoring the support. The annual (or every second or third year) meetings between the Ministry of Foreign Affairs and the partner country play an important role. In addition the specialist advisers posted at the embassies are active in monitoring in connection with the ongoing dialogue with the partners.

The projects are implemented by the partner country typically with support from a service provider hired by the Finnish MFA. The daily work is overseen by partner country line Ministry representatives who report normally quarterly to a project steering committee (with representation from the embassy). The final authority in the project implementation is the supervisory board that normally meets once a year to review annual progress reports and work plans (with representation from MFA).

Finland's policy is to assist in the development of the partner country's own monitoring and evaluation system, and to the extent feasible use this for project implementation.

Mid-term reviews are part of the normal project/ programme process and mandatory for long-term projects.

For sector support the new guidelines state that Finland will accept the use of the partner country's own monitoring systems. If the partner country's monitoring system does not provide adequate information, Finland will work with the other donors to help improve the system. Finland will refrain from requesting separate reporting but rely on existing disquisitions and reports. The daily communication and monitoring of sector support should be undertaken by the Finnish embassy. On the basis of progress made the mission makes recommendation on the continuation or discontinuation of the programme to the Ministry.

4.4 Financial management

Accounting principle: Finland uses accrual based accounting.

Exchange/interest rate earning: All commitments and payments are preferably made in EUR, which means the recipient carries the exchange rate risk. In principle interest earned should be returned to the Treasury or reinvested in the programme/project.

Payments: Pre-payment is based on liquidity needs and subject to satisfactory accounting. Disbursements normally take place 2-4 times a year. Unspent balance should be returned to the donors on a proportional basis.

No final position has yet been made on how funds received from another donor are managed.

Reporting: Standard reporting requirements are one financial and one narrative report and as specified in the programme/project agreement.

Auditing: The main rule is that all projects shall be audited annually/as agreed and specified in the agreement in accordance with international standards for auditing. The Auditor-General and the Ministry of Foreign Affairs shall have the right to undertake its audit at all times.

Procurement: Procurement can be made with partner countries own procurement guidelines if they are of international standard.

Finland is committed to apply the Nordic+ Procurement Policy. When JPP is applied procurement procedures must be in accordance with the EU Procurement Directive.

4.5 Completion

Project completion procedures are spelled out in the project document, including guidelines for the handover of operational responsibility and hardware. Prior to the completion of the project a project evaluation is undertaken by an outside evaluator, based on a set of terms of reference drafted by the MFA and the partner country in cooperation. The results are fed into the planning of new projects or subsequent phases of the same project. All evaluations are compiled in a database in the MFA however no yearly compilation of findings in the various evaluation reports is produced.

In sector and budget support Finland would take part in the joint evaluations and reviews by the donors. Finland's policy is not to conduct any evaluations on its own related to sector support.

5 AGREEMENTS

As a general rule the Finnish development cooperation with partner countries is based on an agreement on general terms and procedures of development co-operation. The contractual framework connected to a specific aid modality will depend on whether the activity is conducted bilaterally between Finland and the partner country, or multilaterally together with other donors and the partner country.

In bilateral cooperation Finland will conclude a separate agreement specific to chosen aid modality with the partner country. The agreement will be limited to financial arrangements and anti-corruption issues. Programme management and reporting requirements will be outlined separately in the programme and project documents.

In cooperation with several donors Finland will conclude a common donor Memorandum of Understanding with other donors upon which each donor base its own bilateral agreement/arrangement. Generally, in the case of co-financing with Nordic+ partners Finland will use the joint financing arrangement and bilateral agreement/arrangement template as standard documents. The joint financing arrangement and the bilateral agreement are signed by the Director General of the relevant department handling the issue. In the case that multilateral cooperation is conducted in a delegated cooperation framework, Finland will use the Nordic+ template and refrain from bilateral agreements with the partner country.

6 ACCOUNTABILITY AND SANCTIONS

6.1 Accountability requirements in relation to Auditor General, Parliamentary Committees, or other bodies

Parliament approves the annual budget for development cooperation at the overall level determining the financial framework for support to e.g. multilateral assistance, humanitarian assistance etc. Within this budget framework, expenditures are monitored by the Ministry internally. There is no requirement for Finland to report to Parliament on the basis of a specific format or achievement of specific results. However, the Ministry does report to Parliament based on Finland's Development Cooperation Annual Report, which is a general outline of the Finnish support.

The auditor-general is mandated to undertake audit of the individual projects, including assessment of their level of alignment with the country's PRSP. The auditor-general will accept any report from the auditor-generals office of any of the Nordic+ countries.

6.2 Sanctions policy and procedures in the case of corruption, non-compliance, fraud or irregularities

There is no official policy outlining criteria for sanctions such as withdrawing, postponement or freezing of development aid within Finnish development cooperation. The bilateral agreements always contain a clause on amicable dispute settlement, which will be relied upon in cases, where Finland or the partner country feel that the other partner has not lived up to its contractual obligations. According to the internal Financial Order, MFA employees have a specific obligation to disclose to authorities conducting MFA's internal investigations any suspected criminal act (i.e. corruption or fraud) committed using Finnish ODA funds. These authorities will investigate the matter and they are obligated to report it to the police, if the investigations lead them to believe that crime has been committed.

The Department for Development Policy adopted a Guideline for Preventing Corruption in December 2001. The Guideline presents five levels of action for preventing corruption:

1. Supporting international institutions and participation in preparations of international agreements and recommendations.
2. Political dialogue.
3. Projects focusing on corruption-preventing measures in developing countries.
4. Corruption-prevention in the implementation of development cooperation projects.
5. Enhancing the procedures of the Department for Development Policy and the knowledge of the staff.

In accordance with the Guideline, corruption clauses including sanctions have been added to all development cooperation contracts. Also, in order to operationalise the Guideline, a handbook of anti-corruption techniques for use in international development cooperation was published in 2002. The Guideline for Budget Support in Finland's Development Cooperation (2005) also includes comprehensive instructions on corruption analysis.

Finally, The MFA is currently preparing a monitoring system for cases of corruption and abuse. Indicators of good governance are also being developed.

7 Highlights

- Poverty reduction based on the MDGs as the central objective
- Finland's development policy is part of its foreign policy and a "coherent" policy approach is pursued
- New policy document expected with the new Government following general elections in 2007
- Cross-cutting issues are defined in areas of rights and status of women and girls, gender, social equality, marginalised groups, and environmental issues
- Eight long-term partner countries
- A wide range of priority sectors are supported
- A policy of concentration in each country to a maximum of three sectors
- The main legal basis for the development cooperation is the annual state budget; no parliamentary decided ear marking of the development budget within the overall budget ceiling
- Possibility for the MFA to commit budgets for long-term cooperation, normally covering 3-4 years
- No explicit country strategies are prepared; instead a rolling country planning exercise is used supported by high level bilateral consultations every 2-3 years
- A mix of modalities is used in each country, including budget, sector, and project support; project support remains the dominant modality but there is a move towards more budget and sector support
- Technical assistance is an important element of the development cooperation

- A favourable stand towards participation in delegated cooperation, but the main motivation for any participation would be to achieve complementarity
- The development cooperation is integrated into the Ministry of Foreign Affairs; it is highly centralised with most decisions maintained at central level, but a process of delegating more decision-making to the embassies is on-going
- New guidelines on budget support and sector support have been developed; the latter is on a trial basis still. The project guidelines remain the most widely used.
- A fairly proactive approach to monitoring of the development assistance is used, with active involvement of the technical specialists at the embassies
- Financial management requirements: Accrual based, prepayment based on liquidity needs/satisfactory accounts, Finnish Auditor General should have the rights to audit at all times
- A guideline on anti-corruption has existed since 2001

8 List of Documents Studied

1	Finland's Development Cooperation 2005, Ministry of Foreign Affairs, 2005
2	Operative and Financial Planning of Finland's International Development Policy and Development Cooperation, Powerpoint presentation, 2006.
3	Guide, Cooperation Negotiations with Finland's Long-Term Development Cooperation Partner countries, June, 2005, Ministry of Foreign Affairs
4	Development Policy, Government Resolution, 2004, Ministry of Foreign Affairs, Finland
5	DAC Peer Review, Finland, OECD/DAC, 2003
6	Guidelines for Sector Support, Ministry of Foreign Affairs, May 2006
7	Guidelines, Budget Support Cooperation in Finland's Development Cooperation, Ministry of Foreign Affairs, 2006
8	Guidelines for Project Design, Monitoring and Evaluation, Ministry of Foreign Affairs, 1997
9	Selected texts from the Ministry of Foreign Affairs' intranet on project cycle management
10	Manual for the Procurement of Services within the International Development Cooperation, Ministry of Foreign Affairs, 2001

JOINT-ASSESSMENTS OF NORDIC+ AGENCIES

Annex 3

THE DEVELOPMENT POLICIES AND PROCEDURES OF IRELAND

1 OVERALL POLICIES AND LEGISLATIVE FOUNDATION

1.1 Policy objectives and specific priorities

Ireland's policy for development co-operation is focused on the objective of "poverty reduction through support for sustainable indigenous development"¹ with a strong anchoring in the MDGs. In line with the MDGs, the Irish priority sectors and themes for the Irish assistance have been defined to include:

- Education
- Health
- Hiv/Aids
- Private Sector Development
- Water and sanitation
- Trade
- Good governance.

Moreover, certain cross-sector issues must be integrated into all Irish development assistance. These issues include:

- Gender
- Governance
- HIV/AIDS
- Environment.

In 2006 Ireland is expected to adopt a new policy for its development co-operation with the finalisation of the "White Paper on Ireland's official programme of Overseas Development Assistance". Presently, the Irish policy is based on the White Paper on Foreign Policy from 1996 and the recommendations of the Aid Review Committee of 2002. A highly consultative process with broad-based involvement of Irish society is presently underway, and based on current discussions the new policy will reinforce the support for the harmonisation and alignment agenda as well as the MDGs and the commitment to the current "priority" sectors. Expected is also the priority to cross-government policy coherence (i.e. aid, trade, security, etc.) as well as public development educa-

¹ The full formulation is (Ireland Aid Review p. 22) "...reduction of poverty, inequality and exclusion.."

tion in Ireland. Although the policy is still in its making, expectations are that the outcome will merely be a strengthening of the conditions for harmonisation of Irish development assistance especially with the other Nordic+ agencies.

1.2 Country and regional priorities

Ireland's overall policy is to concentrate the assistance on a limited number of countries, with the main priority given to Sub-Saharan Africa. The current programme countries are:

- Ethiopia
- Uganda
- Tanzania
- Zambia
- Mozambique
- Lesotho
- Vietnam
- East Timor

In addition to the above, DCI works in a few other countries in Africa (e.g. South Africa, Sierra Leone) as well as the Western Balkans, Eastern Europe and Palestine. Through its NGO Co-financing scheme, DCI supports projects in over 75 countries worldwide. With the single exception of a Southern Africa Regional HIV/AIDS programme, DCI currently has no regional strategies, policies or programmes

1.3 Legislative basis

The Report of The Ireland Aid Review Committee (November 2003) represents the present policy of DCI, but this will be replaced by the new White Paper on Irish Development following its presentation to the Dail by March 2006.

The aid budget is decided annually by the Dail as a voted expenditure. The DCI specifies the budget for Programme Countries and ceiling levels by sector, which is approved by an interdepartmental committee. The budget exercise is on a three-year basis on a no policy change scenario. The approved annual budget for all DCI operations is contained in the annual Interdepartmental Committee (IDC) document and represents the annual authorisation to make payments up to the value of that budget. There are specific rules for changes in budget ceilings, which are generally rather restrictive, and medium-size adjustments have to be approved by senior management at HQ.

Funds are requested from the Central Bank Exchequer account through the Paymaster General. Funds are transferred on request to Development Cooperation Offices (DCO) in Euro accounts. In programme countries, one Euro and one local account are held by a DCO.

Ireland's development assistance has increased significantly in recent years and is expected to rise even further in the coming years. The 2005 budget is Euro

0,55 billion corresponding to 0,41%, of the GNI, but the Government has decided to reach the level of 0.7% of GNI by 2012, which represents almost a doubling of the current level of funding.

2 OPERATIONAL POLICIES

2.1 Country programme approach

Country strategies are developed for each priority county, covering a period of three years. These strategies are the instruments for deciding on the resource envelopes, aid modalities, and priority sectors for DCI support in the country.

The strategies are based on "Country Strategy Planning Guidelines", which stress the harmonisation and alignment agenda, extensive consultations with partner governments, civil society, the private sector, and other donors, and require consideration of factors such as:

- Poverty Indicators/size and Population
- Quality of PRSP
- Standard of Governance and Policy Environment
- Absorption capacity and Risks.

The strategies include a broad analysis of the development context in the particular country, including political, economic, and social factors. No requirements exist for the type or method of analysis that must be undertaken in preparation of the country strategies, but preparatory studies are normally included. The country strategies are usually reviewed annually based on political, economic and social developments. Annual work plans are developed based on these internal reviews of the strategies.

2.2 Aid modalities

DCI has no fixed guidelines or assessment methods for deciding on the mix of aid modalities to apply in a country. General criteria are normally considered to be a basis for the decisions, including partnership possibilities, extent of locally owned strategies, and possibilities of donor coordination and harmonisation. The requirements will be further specified with the finalisation of an upcoming aid modality paper intended to define the bottom-line requirements for different forms of co-operation.

Being a relatively small organisation, DCI is normally flexible in the use of different modalities and aims at a mix of modalities as a general preference. DCI

works with budget support, programme support/SWApS, and projects in addition to the so-called "area based programmes" (ABP).

Programme support (including SWApS and baskets) should be used when a sector policy and strategy have been formulated. Certain other basic conditions would also trigger programme support, such as the existence of a PRSP, MTEF, or other wider planning instruments, combined with stakeholder participation, and a positive assessment of the sector's financial management capacity. Programme funding should be on-budget and audit requirements specified. The coordination mechanisms between donors and government should be "good". These requirements between donors and Government should be spelled out in a Memorandum of Understanding (MoU).

Budget support requires the same conditions to be in place as programme support. In addition, an analysis is needed of the partner country's public expenditure management and accountability system (PER, CFAA, CPAR ROSC). Where weaknesses are identified, an action plan to remedy these must be drawn up. A fiduciary risk assessment is also recommended. The Irish prefer to undertake these assessments jointly with other donors. There are no clearly expressed policy papers in favour of budget support.

The ABP is considered the DCI's "ears and eyes on the ground", i.e. the instrument for supporting local resource mobilisation and capacity development while providing the agency with an opportunity to understand poverty issues at grass-root level. Only a limited share is channelled through ABP, but the facility is seen as an important element of Irish assistance.

Project support is used mainly in relation local NGOs. As a principle, project support is used in relation to government institutions only when government capacity and procedures, especially financial, are not considered adequate for receiving other forms of support.

DCI has no specific policy for provision of TA. Ireland has previously been providing a large part of its assistance through TA, but in recent years this has been much less. From interviews there seems to be some hesitation towards the use of TA and a lack of clarity on when it could or should be used.

2.3 Donor harmonisation efforts

Ireland underlines in all policy documents and procedures the preference for working through aligned and donor harmonised modalities, a preference that is expected to be reflected even more strongly in the new White Paper on Development. No specific policies or harmonization guidelines have yet been developed to guide planners in setting priorities and defining the requirements for participation in harmonization efforts.

Ireland views DC within the overall context of division of labour, as evidenced by an upcoming discussion paper on "division of labour", which includes a section on DC. In principle, DC is favoured where it is clear that either DCI or the

partner agency has a comparative advantage to take forward a certain agenda. In the interviews with DCI, joint-assistance strategies (JAS) are thus highlighted as the area of most immediate interest to Ireland. DCI has actively engaged in JAS process in Zambia, and DC is thus seen very much as an instrument for realising the aims relating to division of labour.

In countries where DC is being promoted, DCI prefers to undertake a "peer review" or joint assessment of the involved donors, which among others should confirm the commitment of each donor to ownership.

3 ORGANISATION AND MANAGEMENT OF THE AID AGENCIES

3.1 Overall organisation

The responsibility for Ireland's development assistance is placed with the Minister of Foreign Affairs supported by, respectively, a Minister for State of Foreign Affairs and for Development Co-operation and Human Rights. Parliamentary oversight takes place through the Joint and Select Committees on Foreign Affairs and the Joint Committees on Development Co-operation. Ministers and senior DCI officials appear before these committees especially in connection with budget preparation processes. The Irish development co-operation is managed by the Development Co-operation Directorate, which is one of ten divisions of the Department of Foreign Affairs.

3.1.1 Decentralisation

DCI is mainly a centralised operation. It has responsibility for implementing the development co-operation programme, coordination of development assistance by other departments, and also for coordinating across the Department of Foreign Affairs all aspects of Ireland's relations with DCI's programme countries.

3.1.2 Decision making

Country Strategies must be approved by DCI in Dublin, and all project or programme decisions exceeding 300,000 Euro are made by the Project and Evaluation Group (PAEG)² at headquarters. Expenditures less than 300,000 Euro are decided by the Senior Management Group consisting of the Director General and Section Heads. DCI has an Advisory Board consisting of former ministers and NGO representatives, which operates independently of DCI. These procedures would also apply for DC arrangements.

² The PAEG is formed by representatives of DCI and of various other Government Departments and chaired by the Director General of DCI.

4 PROGRAMME/PROJECT PLANNING AND IMPLEMENTATION

4.1 Programme planning

DCI's initial presentation of a programme or project idea is in the form of a *proposal*, which should cover standard elements such as objectives, target group, management, output/performance indicators, M+E arrangements, and risks.

Generally, the responsibility for preparing the proposal rests with the local Irish aid mission or the recipient organisation. However, the preparation process leading up to the development of a proposal to PAEG is very much seen as a collaborative effort between the local mission, the country desk and the technical section. The headquarter sections have a significant say in approving and commenting on draft proposals during the preparation stage, especially in connection with joint-donor support efforts. Not only the Head of Missions but also the Head of Development, Technical Section, the Desk Officer and relevant Counsellor (for Programme Countries) are all involved in approving proposals.

A clearly structured preparation process leading up to the PAEG submission should be followed. It involves a series of exchanges of comments and redrafting between the originator of the proposal, country desks, technical units, external consultants, and finance units according to a fixed timeline. No specific point in the process is specified as the appraisal stage. However, the independent view on the proposal seems to be ensured with the involvement of the external consultants. Their role is to assess the proposal in terms of the following issues:

- Conformity with overall policies
- Irish Country Strategy (consistency required)
- Log-frame
- Feasibility
- Exit-strategy
- Sustainability
- Local ownership
- Partnership and donor harmonisation
- Management
- Cross-cutting issues
- Monitoring and risks and costs in relation to benefits.

A systematic and standardised treatment of the above issues is ensured through a checklist of questions that must be answered by those responsible for preparing the proposals.

A formal assessment of the financial risks must be made, by other donors or joint, before approving support. A strategy to deal with capacity weaknesses or risks must be developed with partners and the implementation must be monitored and reviewed regularly.

In cases where the support relates to a joint-process involving other donors and the recipient government, the requirement is for a DCI critique of the process (i.e. no rewriting of documents necessary). The critique should show how the proposal is consistent with DCI and the recipient government policy priorities and highlight any issues requiring special attention. The goals, outputs, activities, etc. of the original proposal need not be repeated in the critique.

4.2 Approval

The programmes/projects are approved by the PAEG or by the Senior Management Group (depending on budget value) based on the appraisal by the external consultants.

4.3 Implementation (monitoring)

The Irish representation will monitor the programmes or projects by receiving reports and by participating in steering committees and other monitoring mechanisms.

4.4 Financial management

The Department of Finance/Public Financial Procedures sets the overall financial management guidelines requirements for all Irish Government Departments, including DCI.

Accounting system. DCI uses a modified cash-based accounting system.

Payments. The EURO is used as the leading currency. Exchange rates are regulated on a monthly basis.

Reporting. Bank- statements are reconciled monthly, and there is an end-of-month reporting.

Auditing. DCI requires an assessment of the financial procedures and capacity of partners, but the minimum demands are only defined in very general terms. It is also accepted that the financial risk of a given programme or of budget support can be assessed by another donor.

DCI must have an annually audited account from partner organisations, and the quality must be of internationally accepted standards.

Audit in DCI comprises the external audit conducted by the Comptroller and Auditor General of the Annual Appropriation Account and the Internal Audit function coordinated and managed by the Evaluation and Audit Unit. An Audit Committee of the Department of Foreign Affairs oversees the internal audit function.

DCI Procurement rules are based on the EU Public Procurement Directives. But generally, as far as possible, DCI will use the procurement system of partners and will assist partners to develop their own procurement capacity. This is fully in line with the Joint Procurement Policy of the Nordic+-group.

DCI states that there are no requirements relating to the above issues which would prevent them from participating in a DC arrangement.

4.5 Completion

A project/programme completion report is required. I should focus on lessons learnt and outputs met.

5 Agreement

The requirements to agreements with partners of DCI include issues such as

Financial management procedures (incl. procurement, financial reporting, audit and access to financial documents), circumstances which will give rise to breach of conditions, and commitments in EURO.

It seems that the requirements of Ireland are fully in line with the Joint Financing Arrangements agreed in the Nordic+ group.

An outstanding question might be whether Ireland is willing to accept that another donor's national audit institution can reserve the right of access to the financial documents of partners instead of the Irish Comptroller General.

Ireland generally prefers non-legal type documents to describe arrangements between partners.

6 ACCOUNTABILITY AND SANCTIONS

6.1 Accountability requirements in relation to Auditor General, Parliamentary Committees, or other bodies

The funds allocated to DCI as a voted expenditure must be administered in accordance with public financial procedures provided by the Department of Finance.

The Comptroller General may audit all public accounts including DCIs.

DCI also performs internal audits, which is done by the Evaluation and audit Unit.

As mentioned in 3.1 above, ministers and DCI officials appear regularly before Parliamentary Committees to report on development support.

DCI also produces an annual report, which reports on what development activities have been supported over the past year.

6.2 Policy on response to non-adherence to Agreements and procedures in the case of corruption, non-compliance, fraud or irregularities

There is no general, formulated response policy concerning partners' non-adherence to Agreements for Irish development assistance. Each case is treated by its merits according to the provisions in the agreements with the partner.

7 Highlights

- Poverty reduction based on the MDGs as central to the objective of Irish development assistance
- Policy coherence an upcoming theme with the new development policy in 2006
- Cross-cutting issues have been defined to include gender, governance, HIV/AIDS, and environment
- Priority sectors and themes have been defined to include education, health, HIV/AIDS, private sector development, water and sanitation, trade and good governance
- Sector-by-country specific allocations in the national budget
- Programme countries defined (8)
- Country strategies are used
- DC is seen primarily as an instrument in relation to joint-assistance strategies
- Primarily focus on sector programme support
- TA not a prioritised element of the development assistance
- Centralised decision making and management of the development assistance
- Programme planning process involving *proposal* based on LFA and submission to DCI programme committee (PAEG)
- Programme planning and elaboration mainly undertaken at DCI head office, but also involving field office

- Financial management: Cash-based accounting, international audit standards, generally flexible requirements for the benefit of collaboration with other donors
- Non-legal MOUs preferred

8 LIST OF DOCUMENTS STUDIED

1	Development Co-operation Ireland	Financial Policy, Guidelines and Procedures Manual, Development Co-operation Ireland, Department of Foreign Affairs, no year
2	Development Co-operation Ireland	Policy for Environmentally Sustainable Development, Development Co-operation Ireland, no year
3	Development Co-operation Ireland	Guidelines on Project Appraisal and Evaluation Group (PAEG) Processes and Preparation of PAEG Documents, Development Co-operation Ireland, no year
4	OECD/DAC	DAC Peer Review of Ireland. 20. November 2003
5	Development Co-operation Ireland	Report of the Ireland Aid Review Committee. February 2002
6	Development Co-operation Ireland	Country Strategy Planning Guidelines. no year
7	Development Co-operation Ireland	Uganda, Country Strategy Paper 2004-2006. March 2004
8	Development Co-operation Ireland	Timor Leste. Country Strategy Paper. 2003-2005. February 2003.

JOINT ASSESSMENTS OF NORDIC+ AGENCIES

Annex 4

THE DEVELOPMENT POLICIES AND PROCEDURES OF THE NETHERLANDS

1 OVERALL POLICY OBJECTIVES

1.1 Policy objectives and specific priorities

Dutch development cooperation policy is focused on the objective of "sustainable poverty reduction" defined within the context of the MDGs. Other central features defined by the overarching policy, "Mutual interests, mutual responsibilities" (2003), include the international aid policy agreements (Monterrey, Johannesburg etc.) and partnerships with both government and non-government entities to tackle global issues. Good governance is an increasingly important feature of the policy as a prerequisite for sustainable poverty reduction and for attaining the MDGs.

A number of thematic and geographical features define the overall Dutch development cooperation policy. Implementation of these features in the Dutch development programmes is ensured by attaching spending targets for some of the areas. The features include:

- An **integrated approach** where development cooperation is combined with diplomacy, political dialogue and pressure, security policy, fair trade and market access.
- **Coherence** in the development policies relating to aid, trade, investments, environment, migration, peace and security.
- **Sustainable development** by balancing economic, social and ecological development priorities.
- **Business sector** development in the 36 partner countries by strengthening key institutions, focussing especially on the agricultural sector.
- A special role afforded to **Africa**, which will be allocated 50% of the bilateral development budget and an Africa policy is developed (presented to Parliament).
- A **regional approach** for the 1) Great Lakes Region 2) the Horn of Africa, and 3) the Western Balkans, targeting cross-border issues of peace, security, sustainable development, environment and migration.

The policy memorandum defines four themes that add to the above priorities. Again, spending requirements have been defined for some of the areas. The priority themes are the following:

- **Education**, with specific focus on literacy, primary education and basic vocational training. Education sector programmes in the partner countries will be expanded or maintained. Education will be allocated 15% of the development budget in 2007.
- **Reproductive health**, based on the Cairo agenda¹, is regarded as the key to achieving the MDGs although not part of the MDGs. Partner countries pursuing a reproductive health policy based on the Cairo agenda will be supported by the Netherlands.
- **HIV/AIDS** is a priority in response to a particular appeal from the Dutch Parliament. The expenditures related to AIDS, tuberculosis and malaria prevention will be doubled in 2007 compared to 2002.
- **Environment and water** (including "nature") will be prioritised with the aim of intensifying the link to poverty. A spending target of 0.1% of the GNP has been set for these areas to be met by 2007.

The Dutch policy is to allocate 0.8 % of the GNP or 4,2 billion Euro to development cooperation in accordance with international agreements.

1.2 Country and regional priorities

The Netherlands currently have 36 partner countries (14 in Sub-Saharan Africa):

Afghanistan, Albania, Armenia, Bangladesh, Benin, Bolivia, Bosnia-Herzegovina, Burkina Faso, Cape Verde, Colombia, Egypt, Eritrea, Ethiopia, Georgia, Ghana, Guatemala, Indonesia, Kenya, Macedonia (FYROM), Mali, Moldova, Mongolia, Mozambique, Nicaragua, Pakistan, Palestine Authority, Rwanda, Senegal, South Africa, Sri Lanka, Suriname, Tanzania, Uganda, Vietnam, Yemen, Zambia.

In addition a number of other countries receive development assistance from the Netherlands but the cooperation is generally not as extensive or long-term as for partner countries.

1.3 Legislative basis

The Dutch Parliament exercises relatively detailed control over the budget for development cooperation to ensure implementation of the policy priorities iden-

¹Here the emphasis is on sexual and reproductive health rights founded on "people's wishes and needs" and "individual freedom of choice".

tified in "Mutual interests, mutual responsibilities" and various parliamentary appeals.

In summary, in response to the policy priorities, the minister has committed to at least the following spending requirements:

- 0.1% of the GNP should be spent on environmental assistance (included in the 0.8% for development cooperation in general)
- Africa should be allocated 50% of the total budget per budget year
- 15% of the budget should be spent on education by 2007

In addition, following parliamentary debates each year, various spending commitments are made for specific themes and areas. For instance, during the 2005 parliamentary debate on the budget, the minister committed to increase overall spending on the protection of human rights, governance (including institutional reforms, anti-corruption programmes, rule of law), and private sector development. Commitments were also made to increase spending on basic education to reach a 15% target by 2007, and to give HIV/AIDS and reproductive health special attention.

The budget for development cooperation is build around major operational goals including targeted results. There are also results defined for the partner countries but not specific budget targets.

Country budget targets are set by MFAs budget cycle. A four-year budget cycle is used, but the commitments beyond the annual budget are not binding. The embassies can commit 90% of the four-year budget.

2 OPERATIONAL POLICIES

2.1 Country programme approach

Since 2004, embassies in partner countries have been required to develop "Multi-Annual Strategic Plans". These four-year plans define the country level goals, priority sectors and themes, as well as the modalities for providing the support in relation to each sector/theme. Indicators and monitoring and evaluation systems are included in the plans.

A strategic analysis must precede the country strategies. It should be undertaken by the relevant embassy provided with guidelines to this end. The analysis should define the development trends and problems, including stakeholder analyses, review implications of the Dutch policy framework, and must include a SWOT analysis. An element of the latter is a critical examination of the strengths and weaknesses of the Dutch embassy itself. In addition, the choice of aid modalities in the country strategy should be informed by the analysis of the effective mix of aid modalities in the country using the "track record" instrument, described in further detail below.

In addition to the strategic analysis, the Netherlands increasingly make use of political analyses as a source of information for developing country strategies. However, such political analyses are not used systematically (only a few cases exist so far) or follow a standardised methodology. It is being discussed within the ministry how to best use political analyses, including the pros and cons of sharing such analyses with partners. In principle such an analysis is used for internal purposes and written in Dutch. Initiatives are under way to change translate this into a document which can be shared with others. Initiatives are underway to develop a version, which can be shared with others.

The definitions by the embassies of the country strategies are limited by the overall Dutch policy priorities, which define the main themes and sectors. This means that governance is a feature in all of the Dutch country programmes with focus on human rights and a sound business climate, in addition to education, HIV/AIDS, water, environment and reproductive health. The choice of modalities for support should be informed by the results of the track-record instrument (which is explained in the next sections).

2.2 Assessments to guide the selection of aid modalities

The choice of aid modalities in a country programme takes direction from the overall Dutch policy priorities. This means that normally a mix of modalities will be used and efforts will be made to work with other donors and to comply with the preference for programme support or "budget support where possible" (budget support still occupies a small share of the overall assistance).

The Dutch aim to define the "effective mix" of aid modalities in the given country in a way that is free from political, historical or other biases.² Moreover, the effective mix is looked at from an overall perspective rather than by looking at each modality in isolation. The final decision on aid modalities need not, however, be the "effective mix" that has been identified, since such decisions are recognised to be ultimately political. In case of any divergence between the effective and desired mix by an embassy, the requirement is to present clear arguments for the choice with reference to the difference.

A highly systematic approach is used by the Netherlands to identify the "effective mix". In the case of a DC, whether Netherlands is lead or silent, an assessment of aid modalities will always be made by the Netherlands. In case the lead partner which deviates from the assessment the Dutch require persuasive and substantial arguments why to deviate from the results of their own assessment. Broadly speaking, the "track-record" (TR) instrument determines the so-called "feasible" level of alignment in a country based on the context, and compares it to the embassy's "desired" level of alignment. To this end, the TR instrument ensures analyses of four major themes relating to the country contexts and uses ratings and "objective" indicators for each theme. The themes ("clusters"), summarised in the table below, cover the poverty policy situation, the macro-economic situation, the main institutions of accountability, and the policy dialogue.

Dutch "track-record" instrument: Main criteria

Clusters	Sub-themes
Poverty reduction	<ul style="list-style-type: none"> • Poverty reduction strategy • Political commitment to poverty
Economic management	<ul style="list-style-type: none"> • Macro-economic stabilisation policy • Business climate/structural adjustment policy
Good governance	<ul style="list-style-type: none"> • Public finance management • Basic conditions for good governance
Dialogue	<ul style="list-style-type: none"> • Quality of policy dialogue • Harmonisation and alignment

²The choice of aid modalities in a country programme will be based on a "flexible deployment of aid modalities and appraisal of what is likely to be the most effective approach in each country. Aid modalities that present opportunities for cooperation between donors and recipients will be strengthened and expanded". "Mutual interest, mutual responsibilities" October 2003 p. 25

For each cluster, the embassies are required to answer one overall question and a number of supporting questions specified in the TR instrument. In general, indicators such as the World Bank Country Policy and Institutional Assessment (CPIA) and Kaufmann should be considered for the assessment of some of the clusters, but they do not need to be copied. Based on the answers, each cluster is assigned a rating (a - d). The ratings are averaged and the result fed into a flow-chart that concludes on the level of "feasible" alignment, which may be "full", "partial" or "none". Subsequently the embassies are asked to compare the "feasible level of alignment" with the level of alignment they "want" in practice; this comparison also follows a systematic framework of questions. As mentioned, if there are deviations, an embassy will need to argue for the value added by the desired aid modality.

The public finance cluster requires specific treatment in the assessment framework. For this theme the embassies are required to use a review framework³ which systematically assesses each step in the budget process, namely 1) incorporation of the national poverty strategy into the budget process, 2) effective and efficient budget implementation, 3) adequate internal budget accounting, 4) adequate parliamentary auditing of budget implementation and accounting. Based on the answers to sub-questions under each of these four themes, the result is an overall "PFM opinion" (essentially a rating), which is fed into the TR. The main reference material for the assessment is specified to include the relevant MTEF, PERs, CFAA, reports of the Supreme Audit Institution (SAI), or other sources.

The formulation of a TR is compulsory for all 36 partner countries. Normally the findings of the TR are the basis for the choice of the aid modality. However, based on political decisions (e.g. by the Minister) the Netherlands can deploy a more aligned aid modality. A less aligned way is also feasible in case managerial risks are identified.

Overall there is recognition in the MFA that some flexibility may be introduced on the use of the TR instrument when working with other donor agencies. On the other hand, there may be a barrier if a lead donor works in a less aligned way than suggested by the TR instrument.

It has been difficult to identify the present policy of the Netherlands for the use of technical assistance (TA). Up until recently the policy seems to be not to use TA or at least as little as possible, but there seems presently to be considerations to attempt to analyse this question again in the context of capacity development.

2.3 Donor harmonisation efforts

The Netherlands aim to "take donor coordination a step further towards harmonisation"⁴ by converting existing arrangements into long-term agreements

³ Public Finance and Management Manual, FEZ/FM, September 2004.

⁴ "Mutual interests, mutual responsibilities", 2003. p.29

and using harmonised sector programmes or budget support when possible. The Dutch also assert that their "own regulations and procedures should not stand in the way of harmonisation"⁵.

Delegated cooperation is of special interest to the Netherlands, especially as a means to meeting policy targets on spending for sectors such as education without increasing the administrative input. It is also considered important as an instrument to improve "division of labour". The immediate interest of the Netherlands is to engage in delegation around sector programmes, while delegation in relation to entire country programmes, budget support, or small projects is not a priority at present.

The priority given to delegated cooperation has recently led to the formulation of a policy memorandum to define the "principles and strategic issues" for Dutch involvement in delegated cooperation arrangements⁶. Noteworthy among these principles (summarised in the table below) is that it may be possible for the Netherlands to withdraw from a sector or country. The principles also underscore the Dutch priority for sector programmes as the immediate objects of delegated cooperation (while the interviews clarified that budget support is not immediately seen as an object of delegated cooperation).

Delegated cooperation: Principles and strategic issues of the Netherlands

• The local context determines whether SP/DC is a suitable modality
• An SP/DC can be additional to the selected "Dutch" sectors in a country
• Alignment should continue as the guiding principle although the SP/DC can serve as an intermediate step in the harmonisation process
• SP/DC has the potential to enhance the division of tasks and complementarity between donors at programme, sector and country level, enabling the Netherlands to completely withdraw from a sector or country
• Small SP/DCs should be avoided and the sector, not project, is seen to be most appropriate for reasons of efficiency
• SP/DCs can only be concluded in the 36 partner countries
• The embassy is the budget holder
• Management frameworks for SP/DCs can help ensure that the "silent partner" remains silent and serve as once and for all approval of other donors in SP/DC arrangements
• A joint Nordic+ MoU will be drafted as a single document for all the countries
• The SP/DC should relate to governments and not non-governmental organisations
• No fees should be included in the SP/DC arrangements
• The specific sector assessment frameworks for SP/DCs should also contain conditions defined in the "Mutual interest, mutual responsibilities" document regarding the sector-wide approach, ownership and alignment
• In order to delegate funds to another bilateral donor it will be assessed whether that donor pays sufficient attention to issues of a) a good ex-ante assessment, b) contracting, c) monitoring and evaluation, and d) sanctions policy, and any findings may be

⁵ *ibid.* p. 29

⁶ "Harmonisation and Alignment. The role and contribution of Delegated Cooperation/Silent Partnerships. Updated memorandum 27/4/2005"

reflected in the MoUs.

3 ORGANISATION AND MANAGEMENT

3.1 Overall organisation of the development cooperation

The Minister for Development Cooperation and the Minister of Foreign Affairs share the political responsibility for the Ministry of Foreign Affairs, which is responsible for managing Dutch development assistance policy. On a daily basis, the Minister for Development Cooperation takes the lead for development cooperation.

The Directorate General for International Cooperation (DGIS) is the chief entity in the MFA dealing with development issues. However, staff from both the foreign affairs and development sides of the ministry are drawn upon to manage the development assistance. The main responsibility is policy formulation, but the ministry has implementation responsibilities for budget support and some thematic priorities such as gender and environment.

3.2 Level of delegation

The Dutch development assistance is highly decentralised. The onus for implementing development programmes rests with the embassies which, since 1996, have received extensive authority for local policy, implementation, and financial management relating to development assistance (including policy dialogue with partner governments, other donors, and assessment, approval and monitoring of Dutch supported development activities). The authority is granted by the MFA within the limits set by the "delegated funds" (which only constitute a share of the development budget). The embassies are linked to the MFA through the country desks. Overall leadership of development cooperation in the embassies rests with the ambassador (who may not be a development person), who may delegate the responsibilities for the strategic management of the assistance to the embassy development specialists.

The level of autonomy of the embassies is defined in the context of the Annual Plan and Multi-Annual Strategic Plans, which outline the country programmes for four years, including the areas of support and aid modalities to use. The plans are approved by the MFA but prepared by the embassies, including the background analysis and setting of goals and indicators. Based on the approved plans, embassies are mandated to make decisions on aid interventions. Only in

the case of substantial deviations from the plans are the embassies required to consult the headquarters.

3.3 Decision-making

The Heads of Missions are mandated to sign contracts, MoUs and other arrangements. The headquarters in The Hague play an advisory role and are only required to approve legal documents that deviate from the standard. For the time being the Legal Affairs Department in HQ needs to review a draft agreement on DC-arrangements.

Head of missions are delegated to take decisions on all activities except for structural macro aid including general budget support, which is decided by Head Office in the Hague.

4 PROGRAMME MANAGEMENT

4.1 Programme planning

Projects or programmes intended for Dutch support are initially conceived in the annual plans of the embassies where they appear with just a title. The multi-annual strategic plans define the strategic relevance of such projects or programmes. Apart from the annual plans, there are no formal procedure, concept note or similar for introducing new programmes or projects at this stage in the process.

The basis for approving programmes or projects⁷ is the *Activity Appraisal Document* ("BEMO"). The "BEMO" is a brief document that explains why and how the proposed activity should be financed, including the relation to the poverty situation, the policy of the country or organisation concerned, and the basic principles of Dutch development cooperation policy. Standard appraisal issues such as effectiveness, efficiency and sustainability (institutional context and actors), monitoring and risks should be considered. The document should also describe the organisational arrangements for the agreement.

In the BEMO there is emphasis on an organisational capacity analysis of the institution receiving support, which should feed into the appraisal. The organisational capacity assessment is the main tool for validating that funds can be channelled to the organisation, thus meeting a central requirement in the Dutch "Sanctions Policy" that money has been transferred in good faith by the Minister. It is also the basis for the risk assessment, which in turn determines the reporting requirements for the support. A standard instrument for capacity analysis is the COCA (Checklist for Organisational Capacity Assessment), required for all projects/programmes exceeding Euro 100,000. Its main focus is on the adequacy of the administrative and financial management capacity of the receiving organisation to justify the transfer of funds.⁸ However, in practice the COCA is mostly used for support through NGOs and only rarely for support to government entities. In the latter cases, the Dutch capacity analysis need is met

⁷"Activities" in the Dutch programme terminology.

⁸ The focus is therefore on reporting obligations, public finances and accountability requirements, role and responsibilities of various departments, the adequacy of the financial management procedures, including procurement and allocation of funds and the situation regarding the AG or international auditors.

by a wider institutional sector analysis and organisational analysis (ISOA), usually undertaken in connection with programme support/SWAs.

The Netherlands would require a capacity assessment of some form in order to delegate development assistance to a lead donor in a delegated cooperation arrangement.

4.2 Approval

The multi-annual strategic plans and the annual plans from embassies are approved by the MFA in The Hague. Based on this the embassies approve programmes within the limits of committing up to 90% of the four-year budget. The exception is the case of macro aid including budget support programmes, which are decided on in HO.

The plans are finally approved by Secretary General. The regional departments present their assessment after consultations with other relevant departments, such as the thematic department.

The only limit for expenditures and commitments by the embassies are set by the Annual Plan.

Activities managed at headquarter and higher than EURO 2,5 million require approval in the Project Committee.

4.3 Implementation (monitoring)

Monitoring and evaluation are highlighted as important priorities in the Dutch development cooperation policy. The Netherlands will strengthen efforts in the areas of planning, monitoring and evaluation to maximise the Dutch contribution to the MDGs, particularly in the Dutch priority areas, with specific emphasis on measuring results.

A highly structured system is used by the Netherlands to monitor country level developments, including Dutch programme-related issues⁹. Overall, the system is based on ratings (A to D) which are assigned to indicate the progress on either delimited Dutch projects or sectors where Dutch support is involved. Problems should be described and remedies proposed. However, there are no automatic consequences attached to the respective ratings. The ratings are set by the embassies and cannot be changed at ministerial level in The Hague.

The project (activity) ratings are based on the logical framework approach and distinguish between input, output, objectives and sustainability. Guiding "core questions" have been developed to assess the status on each of the four latter elements and assign the appropriate rating. Sector ratings are assigned on the basis of answers to three questions, namely, 1) progress in achieving sector ob-

⁹ Guidelines for the application of the rating system for activities and sectors, P.J.M. Litjens, October, 2002.

jectives, 2) the possibility of providing sector budget support, and 3) progress towards providing sector budget support. The ratings for question 1) concern whether or not the situation is satisfactory, and should ideally rely on national monitoring systems. For question 2) the interest is the "readiness" of the sector for budget support based on criteria relating to the adequacy of the sector policy, "effective commitment" of civil society, recipient government and donors, as well as the implementation capacity of the government. For 3) the progress achieved in closing the gap based on the criteria listed under question 2) is of interest.

The Netherlands are flexible in their reporting requirements. In general, annual reports are required, but the specifics will depend on the risk assessments made in the background capacity analysis.

4.4 Financial management

Accounting principle. Cash-based accounting methods are used and non-used funds can to some extent be carried over to next year, although this is not well regarded.

Exchange/interest rate earnings. Interests and exchange rate earnings can be used in the programme.

Payments. The Netherlands allow pre-payments for up to 12 months, but prefer a maximum period of 6 months (also in DC arrangements). They should be shortened if there are particular risks and based on demonstrated liquidity requirements. Payments can be made in Euro or the local currency.

Silent partners working with The Netherlands can channel funds directly, but only with the approval of the "lead" (i.e. The Netherlands). Payments should be made in instalments proportional to the participating donors' contributions. The Netherlands will have to keep funds received from other donors in a separate account.

Reporting. Financial reporting should be at least as detailed as the agreed budget in the BEMO. Reporting requirements should be determined by the risk assessment in the appraisal based on organisational capacity, nature of activity and financial value (generally, higher risk expectations should lead to stricter and more often reporting requirements).

Auditing. Audits (normally at least annual) are not always compulsory. When the activity is found to involve a level of risk and always for activities over Euro 5 million an audit opinion is required. The basis for the auditing is the "BEMO", which serves as the appraisal document. Audit opinions for a maximum of two years are preferred. IFAC members should perform the audits.

4.5 Completion

At the completion stage, "activities" are subject to an ex-post assessment based on an activity appraisal document. The assessment includes a rating and should provide lessons for future activities. It also determines whether an evaluation should be made.

The programme can be closed after completing the ex-post assessment and receiving a final narrative report and a report on financial management.

5 AGREEMENTS

Representatives from the MFA in the Netherlands were active in developing the Joint Financing Agreement. They use this as a point of departure for agreements and suggest these principles be used in DC-arrangements.

In general, the Netherlands are reluctant to use legal language, as using an agreement with another government as a basis for a court case is not seen as a feasible option.

6 ACCOUNTABILITY AND SANCTIONS

6.1 Accountability requirements in relation to Auditor General, Parliamentary Committees or other bodies

From 2004 onwards, the minister will report annually to Parliament on the contribution that Dutch activities are making to achieve the MDGs in the partner countries. As mentioned, the minister will report on the use of the various spending targets.

6.2 Policy on Response to Non-adherence to Agreements and procedures in the case of corruption, non-compliance, fraud or irregularities

A response- or so-called sanctions policy comes into play if the counterparty fails to comply with the agreed contract terms or other conditions for the grant.

The Netherlands have developed a sanctions policy that defines the limits of the ministerial responsibility for development support. This responsibility extends to the point when payment has been made to the partner, but also clearly places the onus of a sufficient ex-ante analysis (COCA or institutional assessment) on the Minister. In addition the sanctions policy sets clear timelines and sanctions for when and how to handle reactions to non-compliance with agreements.

In a delegated cooperation arrangement, the Netherlands would require the principles of this sanctions policy to be met.

7 Highlights

- Sustainable poverty reduction based on the MDGs is the central objective of the ' development assistance of the Netherlands
- Policy coherence is required between development policy and non-development issues, such as trade, investment, environment, migration, peace and security
- Results focus highlighted
- No explicit definition of any "cross-cutting issues", but "features" such as integrated approach, cohesion (of aid, trade, investments, environment, migration, peace and security), sustainable development (economic, social and ecological) and business sector development.
- Priority themes are emphasized such as: Education, reproductive health, HIV/AIDS, environment and water
- Earmarking of national budget by themes and policy objectives - not by partner country
- Country strategies in the form of four years rolling Multi Annual Strategic Plans with indicators and monitoring mechanisms used, but are internal planning instruments
- Adherence to aid effectiveness, and DC as an important instrument for which guidelines have been developed
- Sometimes use broader political analyses to inform country strategic plan, but annually the Netherlands have to assess the each partner country by a strict Track Record system, which with other analyses informs the formulation of the country strategies.
- The TR is also an assessment of the mix of aid modalities and alignment which should be used in the partner country.
- Netherlands are reconsidering the use of TA in the development cooperation, but presently have no clear TA-guidelines.

- Extensive decentralised management of the development assistance in partner countries with decentralised decision making of up to 90 % of the budget frame based on the Annual Plan. Exception is for macro aid - including budget support - which is decided at HO-level.
- General programme planning requirements include an Activity Appraisal Document (the BEMO). Besides the general LFA requirements an appraisal should be included. Compulsory is an organisational capacity assessment including of financial management of the partner. Such an assessment is a requirement for the Netherlands also when delegating to a DC-arrangement.
- Appraisal is part of the BEMO and need not to be independent.
- The risks identified in the BEMO define the monitoring and review needs.
- Annual programme meeting required
- Completion report mandatory
- Strictly structured results based monitoring linked to MDGs and PRS
- Evaluations based on OECD/DAC guidelines
- Nordic+ agreement used
- Financial management requirements: Cash-based, result based, only international audits accepted, pre-payment allowed
- Explicit sanctions policy

The Netherlands emphasise ex-ante assessments unlike most of the other donors in the Nordic+ group.

First of all the TR-system helps relatively systematically to determine the level of alignment and mix of modalities to be used.

Secondly a capacity assessment (whether a COCA or similar) of the partner helps determine what sort of risk-minimising arrangements, for example concerning financial management and monitoring need to be put in place.

Thirdly the monitoring arrangements are defined according to the weaknesses identified in the capacity assessment

Finally a clear sanctions policy is needed to be used if there is non-compliance with agreements from a partner.

The Netherlands need to assess whether these requirements are met by a lead donor when delegating program-responsibilities in DC-arrangements. .

8 List of documents studied

1	Handboek Bedrijfvoering Buitenlandse Zaken. CD-rom. 17-03-2005
2	Harmonisation and Alignment, the role and contribution of delegated cooperation/silent partnerships, Updated Memorandum, Ministry of Foreign Affairs, 27/4/2005
3	Harmonisation and Alignment, the role and contribution of delegated cooperation/silent partnerships, Non-paper, Ministry of Foreign Affairs, 21/2/2005
4	Silent partnerships, co-financing by bilateral partners, Legal Affairs Department, Civil Law Division, 2002.
6	Macro Aid, to provide and account for macro-oriented programme aid properly and effectively, 1/1/2005
7	Guidelines for the application of the rating system for activities and sectors, The Hague, 16/10/2002
8	Directorate-General for International Cooperation, The Hague, 3/10/2003
9	Track Record User Guide, "What level of alignment is possible and what are corresponding aid modalities?", The Hague, 27/10/2004
11	Development Assistance Committee, Letter to The Chairman, OECD, 22/10/2003
12	Public Finance Management (PFM) Manual, Part 2: PFM Review Framework, The Hague, 30/9/2004
13	Ministerial Accountability for Development Coop-

	eration Spending, Policy Document, 1997-98
14	"Mutual interests, mutual responsibilities: Dutch development cooperation en route to 2015" Policy Memorandum October 2003

JOINT-ASSESSMENTS OF NORDIC+ AGENCIES

Annex 5

THE DEVELOPMENT POLICIES AND PROCEDURES FOR NORWAY

1 OVERALL POLICY OBJECTIVES

1.1 Policy objectives and specific priorities

Poverty reduction firmly grounded in the MDGs but using a rights-based approach, partnership, and a strong results-orientation are the salient features of the Norwegian development assistance policy.

The overarching policy document "Fighting Poverty Together. A Comprehensive Policy for Development"¹ defines poverty reduction - guided by the MDGs - as the central objective of Norwegian development co-operation. It gives special priority to MDG 8, "global partnership", and defines a rights-based approach to development as a key policy objective. The latter includes social, economic and cultural rights as well as civil and political rights. Special mentioning is made of equal rights for men and women, children's rights and rights of the disabled.

A section of the document is devoted to the "focus on results and quality assurance in development co-operation", which should be linked as much as possible to the MDGs. Norway should actively promote the systematic measurement of goals and results, particularly to demonstrate the results to which Norway has contributed in the partner countries.

Norway defines four areas where policy changes are considered necessary to achieve the poverty goals. The areas are:

- The international framework conditions - i.e. trade, technology transfer, debt relief and policy coherence;
- Governance - i.e. a genuine willingness by developing countries to put their own house in order;
- International development assistance - i.e. more and better development co-operation and putting recipient countries in the driver's seat;
- Mobilisation - i.e. of the private sector and civil society organisations.

¹Report No. 35 (2003-2004) to the Storting

Norway's policy highlights a number of "major risks and challenges" to the achievement of the MDGs: War and conflict, HIV/Aids, corruption, and environmental degradation, which are consequently important issues to take into consideration in Norwegian development support.

Norway moreover defines a number of sector and thematic priorities for the development assistance in the context of the MDGs. The specific Norwegian priorities include²:

- Education
- Health
- Private sector (with emphasis on agriculture)
- Peace-building
- Environment and natural resource management
- HIV/Aids
- Improved governance and respect for human rights
- Employment creation.

The overall development budget (ODA) for 2005 is approximately NOK 16.6 billion (Euro 2.1 billion), of which the bilateral share is 17.6% or NOK 2.9 billion (Euro 0.37 billion). Increases in the overall budget are expected in the coming years due to the Norwegian Government's commitment to increase the budget from the current level of 0.95% to 1% of the GNI.

1.2 Country and regional priorities

Norway presently has seven "main partner countries":

- Bangladesh
- Malawi
- Mozambique
- Nepal
- Tanzania
- Uganda
- Zambia.

In addition, Norway provides support to 18 "other partner countries".

The distinction between "main" and "other" partner countries concerns the nature of the relationship and not the volume of aid. The relation with the "main" partner countries is longer-term and more robust in terms of the fluctuations accepted on the main governance and political criteria, and the budget allocations for these are specified in the national budget.

² Recently there has been some changes to these priority sectors. These are reflected in the assessment matrix p.7 and p 21.

1.3 Legislative basis

The Norwegian Parliament has rather detailed influence on the budget for development co-operation. With regard to the bilateral assistance (which is of main interest in a DC context), budget allocations are voted for each of the seven "main partner country" in addition to regional allocations for Africa, Asia, Central-America and the Middle-East. The regional allocations are subsequently allocated to the "other partner countries" and "main partner countries" (supplementary allocations) by the Ministry of Foreign Affairs (MFA) with no approval required of Parliament.

Other important pressures for the system to respond to Parliament's priorities relate to the key sectors and thematic areas. These priority sectors and themes are specified in the national budget for each main partner country and region. Although the associated budget allocations are not specified, MFA/Norad operates with certain internal budget targets for the main sectors and themes, which has significant influence on the final expenditures in these areas. In addition, a spending pressure derives from the tendency to attempt to meet annual spending targets even though the legislation allows for unspent allocations to be transferred to the following year (for two consecutive years). The reporting to Parliament through the financial bill is primarily in terms of results, but also expenditure, and leads to some flexibility in terms of reallocations of budgets.

At country level, allocations between sectors and themes are laid out in the individual MOUs with the partner governments and specified in the annual business plans. Reallocations at country level can take place during the year based on progress in the various programmes.

2 OPERATIONAL POLICIES

2.1 Country programme approach

Norway's approach to defining country programmes follows directly from the overall policy emphasis on partnership and alignment. Rather than designing a country strategic document, as hitherto, Norway uses the respective PRSP (or similar poverty strategy) combined with a MOU that spells out the Norwegian areas of support. The MOU typically has a four to five years duration and defines a framework for support to the PRSP, attention to good governance, and specifies the areas of co-operation in the country. Generally, the MOU will take account of the principle that Norway should not support more than two-three sectors in a country.

The PRSP/MOU approach was introduced recently. Based on the early experiences some discussion is taking place within MFA/Norad of the need for a multi-annual financial commitment linked to the longer term planning instead of maintaining the one-year horizon, which is not conducive to more strategic priorities. There is, therefore, a move towards multi-annual commitments linked to the multi-annual MOUs. As a planning tool the embassies have to present an annual Performance Plan to be presented to the MFA for approval. The need for funds for the coming year, policy decisions in the MFA, results etc. are spelled out in this plan.

No standard preparation process or assessment approach for the preparation of the MoU has been established. In practice, the preparation of MOUs varies, depending on each unique situation. At times, a background analytical document forms the basis for the MOU, which could include an analysis of the situation, previous experiences, results and other relevant issues. The MOUs are normally signed by the Norwegian Minister for Development Co-operation and the relevant minister - normally the minister of finance - in the partner country.

2.2 Assessments to guide the selection of aid modalities

The main directions for deciding what aid modalities to apply in a country flow from the overall policy statements of Norway. Such statements relate to the general aim to provide a certain measure of budget support, although not exceeding 50% of a country frame, and otherwise to rely mainly on programme

support for the remaining Norwegian assistance in a country. Also, Norway prefers to provide budget or sector programme support together with other donors, which makes the existing donor arrangements in a country a key determinant. In this context, Norway prefers to work in a JAS arrangement, which in principle makes any outcome of a process of defining a division of labour among donors between sectors/themes a determinant of the Norwegian support.³ There is political acceptance that the sector support priorities of the partner countries should have prominence to Norway's sector targets.

The principles or guidelines available to guide the choice of the mix of aid modalities to use in a country are of a general nature. No strict requirements exist for overall ex-ante assessments to be undertaken as a basis for such decisions. In terms of diagnostics, capacity and institutional indicators are considered (e.g. Kaufmann, CPIA), and finally, the particular Norwegian political considerations will influence the choice, specifically the situation regarding democratisation and human rights.

Norway has abolished "technical assistance" as an aid modality and backs the principle that the partner country should be responsible for identifying possible needs for T.A., and such assistance should be subject to competition. A T.A.-related aid modality used by Norway, however, is the concept of "institutional collaboration based on partnership". In this approach, organisations supported in partner countries - ministries, agencies, local governments, or other - are linked up with the matching Norwegian organisations with the intention that the latter provide capacity building and support. The partner organisations are provided with funds to pay the Norwegian organisations for the services received. There is presently some discussion within MFA/Norad of the usefulness of this concept, especially in light of the harmonisation and alignment agenda.

2.3 Donor harmonisation efforts

Norway's commitment to harmonisation (and alignment) is integrated explicitly in "Fighting Poverty Together", where it is seen as a key to reaching the MDGs. Norway calls for donor reforms to provide "more effective assistance" (and "more assistance"), which should be achieved through donor harmonisation "based on the ownership and strategies of recipient countries". Aid should be directed towards "framework conditions" through broad-based sector programmes supported through pooling of funds and common reporting mechanisms.

Delegated co-operation is particularly important to Norway. To advance DC in Norwegian assistance, Norway has developed the document "Principles for Delegated Co-operation in Norad (Report 2003/02)" with the aim of guiding field offices, and other units, in entering into DC arrangements. A range of benefits highlighted in the report explain Norway's desire to promote DC. Many of these relate to improved aid effectiveness in general, but the specific

³ This still remains an in-principle determinant since presently there is no example of a JAS process where the exercise of sharing sectors/themes has been completed.

"Norwegian" benefits highlighted relate to increased volume of assistance without a related increase in administrative capacity and funding of programmes where Norway is not physically represented.

While it is consequently an explicit aim of Norway to increasingly engage in DC arrangements, there are certain conditions for Norwegian participation. These conditions flow directly from the "good practices" in donor harmonisation. The principles are summarised below, but it should be stressed that they go back to February 2002 and are presently under revision:

Norway's principles in relation to Delegated Co-operation (a summary)

<ul style="list-style-type: none"> • All activities should be in line with the partner country's priorities on poverty reduction;
<ul style="list-style-type: none"> • DC should strengthen the partner country's ownership to the process;
<ul style="list-style-type: none"> • DC should support the partner country's capacity building efforts;
<ul style="list-style-type: none"> • DC should contribute to the partner country's accountability to its people;
<ul style="list-style-type: none"> • Collaborating donors should make use of the partner country's administrative systems for accounting, audit, statistics etc. whenever possible and include capacity building whenever partner systems not used;
<ul style="list-style-type: none"> • When Norway is involved in a DC, Norway has the responsibility to be adequately equipped in terms of human and technical resources to take on the designated role;
<ul style="list-style-type: none"> • The agreement between the donors should describe the requirements necessary to fulfil each donor's minimum legal standards and administrative routines;
<ul style="list-style-type: none"> • It should always be the lead donor who maintains the dialogue with the partner country's authorities;
<ul style="list-style-type: none"> • The main goal of DC is increased efficiency, which may only be obtained in the long term, while the transaction costs of establishing DC may initially be high.

In Norway's assessment, there are also important dilemmas to consider in DC arrangements. The main dilemmas highlighted by Norad relate to:

- The challenge for a donor to decide which aspects of development co-operation to delegate to another donor? The answer will always be country specific.
- How to ensure attention to results monitoring and accountability when working as a "silent partner"?
- The challenge of deciding where to take on the responsibility of acting as "lead"? The costs and benefits of being silent in one area and lead in another should be balanced.
- Being "silent" means reduced visibility and greater difficulties in proving results, which increases the importance of monitoring and evaluation and the need to focus on "impacts" (as opposed to "activities")

- Being "silent" may mean reduced direct access to information; this should be outweighed by donor-sharing of information.
- The principle of ownership reduces the possibility for donors to maintain a broad technical resource base, as technical assistance will no longer be supplied directly by the individual donors; however, this should be looked upon as a question of division of labour among the donors, where what matters is the overall composition of skills.
- Long-term capacity building relations between similar organisations in the donor and partner country are not interchangeable among donors, and open competition may not (such as in case of TA) be the best option in these cases.
- The approach to TA varies even between donors with whom Norway normally collaborates and should be carefully considered in connection with DC arrangements.

3 ORGANISATION AND MANAGEMENT

3.1 Overall organisation of the development co-operation

The main entities in Norwegian aid administration are the MFA, Norad, and the embassies. A fundamental restructuring of the Norwegian aid administration took place in 2004⁴, involving the integration of the responsibility for planning, implementation and administration of all Norwegian aid into the MFA, including country and regional responsibilities and bolstering of the role of the embassies in managing the assistance in a highly decentralised set-up.

The MFA in Oslo mainly plays a policy setting, supportive and monitoring role. It is led by two ministers (for Foreign Affairs and International Development, respectively) and is organised in ten departments that answer to both ministers. The Department for International Development has the main responsibility for development policy, multilateral institutions, trade, and private sector issues in the south in addition to a number of thematic issues, including donor harmonisation and alignment efforts. The other departments are either directly or occasionally involved in development assistance (the entry-point of the embassies to the ministry is the Regional Department). The MFA approves the annual plans of the embassies.

Norad is now a directorate under the Ministry of Foreign Affairs (reporting to the Department for International Development) with three main functions in relation to the bilateral co-operation:

- Evaluation; responsible for initiating and undertaking evaluations of all development and development research assistance activities;
- Technical advisory function (covering various thematic issues) to the embassies and the Ministry of Foreign Affairs;
- Quality assurance and knowledge management to support the decentralised embassies, improve working and co-operation methods, and developing tools for evaluation and lessons learnt.
- Support to the development activities of Norwegian NGOs and to private sector development as well as development related research.

⁴ Following an evaluation of the efficiency of the existing structure to achieve poverty reduction.

3.2 Decentralisation

The embassies are highly decentralised and have the main responsibility for monitoring implementation of the aid programmes, including coordination in relation to bilateral and multilateral efforts at country level. MFA allocates funds to embassies through the approval of the embassies' Annual Performance Report and Plan (Virksomhetsplanen), and the delegation of authority and performance management is primarily established through this mechanism. There are some flexibility during the year for embassies to reallocate according to progress in programmes. Allocations at country level from allocations received from the regional allocation are decided by the Ministry.

3.3 Decision-making

Drafts of MOU with partner countries must be approved by the Norwegian Minister for Development, but draft and preparatory work is done by the Embassy. Through the annual Performance Plan the extensive delegation to embassies, as mentioned above, is regulated.

4 PROGRAMME MANAGEMENT

The procedures for managing Norwegian development assistance are presented in concise terms in the Development Co-operation Manual (DCM)⁵. Distinct requirements for the programme cycle are defined depending on the size of the budget (less than 15 million NOK, between 15 and 50 million NOK and above 50 million NOK). Moreover, the partnership policy figures strongly in the manual with clear division of labour and responsibilities through all the phases of the programme cycle between the partner and the donor.

Although the guidelines are clear, Norway also stresses that they are guidelines, and should be used flexibly according to the circumstances.

4.1 Programme planning

Proposals for programmes or projects (except budget support) with a Norwegian contribution exceeding 15 million NOK require that a "**Platform for Dialogue**" (PFD) is presented to decision-makers. The PFD should

- give a preliminary assessment of the programme's coherence with the PRS and Norway's development policies;
- identify the need for further clarification and information in the programme document;
- clarify donor co-operation;
- include an estimate of the total cost of the programme.

In case of budget support, the relevant embassy is required to prepare a "Mandate for Dialogue" (MfD), outlining:

- Objectives and potential outputs;
- Review of political considerations;
- Reference to the macroeconomic situation and PRS;
- Preliminary assessment of financial management system;
- Reference to budget support from other donors.

⁵Developed by Norad and MFA.

Assessments by other donors, including, WB, IMF or bilateral donors, should feed into the MfD. The MfD should be approved by the MFA in Oslo before further planning can be done. Before a final decision to provide BS, an appraisal should be undertaken of the programme.

A **Programme Document** (PD) must subsequently be prepared (or modified, depending on what is already available) by the partner, possibly with financial and technical support provided or financed by Norway. The preparation may include baseline studies and impact and risk assessments. No specific format is required for the PD, and clear links to the PRSP and MDGs should be ensured. The counterpart's capacity and capacity strengthening needs are important factors in the assessment and dialogue.

An **appraisal** must be undertaken of the PD to ensure quality. The appraisal should include assessments of the quality of the partners' planning process, programme design (of the LFA), sustainability and risks (including policy and framework conditions, socio-cultural and gender, economic and financial, institutional and organisational, environmental and technological, other risks) and of donor coordination. The assessment may be based on appraisals made by other donors. In co-financed programmes, joint appraisals should be made.

Requirements with regard to appraisals follow a scaled approach whereby appraisals of programmes with Norwegian contribution below 15 million NOK may be incorporated in the appropriation document. A separate appraisal document must be prepared for programmes with Norwegian contribution above NOK 15 mill. The scope of the appraisal will depend on the size of the contribution and the complexity of the programme.

In the case of BS, all new programmes require appraisal reports (appraisal reports may also have to be prepared for ongoing programmes requiring new agreements). Whether or not the report builds on a joint donor appraisal, it must cover:

- a) Experience from previous budget support or similar programmes;
- b) Expected impact in terms of goals, objectives and outputs;
- c) Assessment of political and economic governance factors;
- d) Assessment of implementation of poverty reduction strategies and/or national development policies;
- e) Assessment of the public finance management system and reforms (DFIDs assessment framework could be used);
- f) Analysis of potential risks and risk management;
- g) Overall assessment and recommendation.

The appraisal should, to the extent possible, also discuss and assess the suggested mechanism for providing budget support in the country in question, including routines for disbursement and reporting. In some cases, this will imply assessing an existing joint donor mechanism for budget support described in a multi-donor MoU. The risk analysis must be thorough and include identification of risks, probability and potential impact and not least risk management.

4.2 Approval

The approval requires an **Appropriation Document (AD)** to be presented to the decision-makers for any BS, sector programme support or project support. The AD should outline the relevant administrative information, a programme description, an assessment of the quality assurance made (i.e. mainly the appraisal), and the responsibilities and procedures including donor cooperation. A draft Agreement must be enclosed.

In the case of delegation of responsibilities to another donor, the basis for a formal bilateral agreement with the partner should be presented. The approval by the Embassy of the AD represents the approval of the contribution, structure for co-operation and conditions for support.

4.3 Implementation (monitoring)

In line with the policy emphasis on partnership and national ownership, the Norwegians emphasise the full responsibility of the partner for implementation and reporting on progress and results. For the Norwegians, implementation is therefore seen as the "follow-up phase" where the embassy, as an active partner in dialogue with the recipient and other donors, monitors progress, makes financial disbursements, and monitors achievement of results in accordance with agreements. Assessments and dialogue based on progress reports, financial reports, audits, and work plans and budgets are therefore the key activities for the embassies during implementation. The Embassy has a responsibility to react in case obligations in Agreements are not adhered to or achievements of results are not according to plans.

The embassy will (normally) take part in (at least) an annual monitoring meeting that serves as a decision-making forum to review reports, and approve work plans and budgets. Such reports should be submitted by the partner at least annually, as a minimum. Embassy participation in the annual meetings must take place based on a written mandate, and minutes of the meeting must be agreed to by the parties in writing.

Reviews of a programme or project are part of the monitoring system in order for the donor and possibly the partner to assess whether the programme is proceeding according to plan and the efficiency and effectiveness of the programme. The need for reviews must be assessed during the appraisal, but mid-term and end of programme reviews are mandatory for programmes with a Norwegian contribution larger than 50 million NOK. The review may be carried out by an external team or internal/joint with the partner.

Evaluations are carried out by externally recruited consultants and are normally agreed upon between the partner and donor. These should follow the DAC guidelines for evaluations.

It is also the partner who is responsible for procurement of services and goods. Procurement procedures should be transparent and of internationally accepted standards. The Joint Procurement Policy developed by the Nordic+ group has been approved by the MFA in Norway.

Norway places significant emphasis on measurement of development results in line with MDGs and PRSPs and to use these for the reporting to Parliament and other authorities.

4.4 Financial management

Accounting principle. Norway uses a cash-based financial management system. Efforts are underway to introduce multi-annual commitments. The embassies report their indicative multi-annual spending needs based on their commitments to the partner governments, which are therefore always made "subject to Parliamentary approval".

Payments. Disbursements by embassies must be based on written requests from the partners, accompanied by an updated Statement of Accounts. Disbursement should be made in instalments according to the recipients' needs. A maximum of six-month prepayment is used. Unspent disbursements must be returned to Norway, while accrued interest on the funds may be used - after consent from the embassy - within the programme. Payments are accounted for in NOK, but payments can be made and received in any currency. Exchange rate and interest gains should be accounted as income and can be spent within the specific programme framework.

To reduce the risk of corruption, the quality of the partner organisation's administrative procedures in large programmes or projects may be assessed, focusing especially on the financial management and internal control systems. The conclusions of the assessments determine how the interventions will be monitored (in joint-donor efforts, this is done with the other donors).

Reporting. Partners who receive support are required to submit annual financial statements based on the partner country's fiscal year. Following the Norwegian Financial Management Regulations the reports should treat expenditure as well as results.

The MFA in Oslo receives expenditure overviews from the embassies and is mainly concerned with monitoring the alignment between the business plans and allocation letter and expenditure. The detailed monitoring of expenditure is delegated to the embassies.

Auditing. The annual financial statements must be audited. The support may be audited by the national Auditor General using the national standards provided

that an assessment shows a sufficient standard. However, in general international auditing standards (INTOSAI/IFAC standards) should be used, but others can be used if deemed acceptable. Audits must cover the entire programmes, not only the Norwegian contributions. All agreements must include standard clauses permitting Norwegian authorities to examine the use of funds in relation to the intention. In joint-financing arrangements, the Norwegian Auditor General accepts other donor agencies' auditing procedures and would also adapt to more stringent requirements, if so required.

4.5 Completion

Programme completion requires that a Completion Document (CD) is prepared by the embassy, based on a final report by the partner and on the end-of-programme review report. In the CD, the embassy must assess the Partner's compliance with reporting requirements and assess the end review and final report with a focus on results and lessons learned.

5 AGREEMENTS

Standard agreements or agreement templates are used to guide the draft agreements for various types of activities. The draft agreements must be assessed by the Legal Division in Norad, which assesses the draft agreement before the MFA can authorise the Embassy to sign. An anti-corruption clause must always be included. Norway has approved the principles in the Nordic+ "Joint Financing Arrangements in Program Support" (JFA), and the JFA is used as guideline to administer Norwegian development support when Norway enters into joint financing of programmes, but the Legal Division should still assess the draft agreement.

BS programmes must always have a government-to-government agreement, although BS is normally implemented as a joint programme with others through a joint MoU. The description of the joint mechanism is an important part of the government-to-government agreement.

Norway favours legal-type agreements for collaboration with other donors and partner countries.

6 ACCOUNTABILITY AND SANCTIONS

6.1 Accountability requirements

The MFA is mainly accountable to the Norwegian Parliament (Stortinget) under the supervision of the Norwegian AG.

The Auditor General accepts that the responsibility for management and disbursement of Norwegian funds can be delegated to another donor agency in DC arrangements.

The Norwegian national budget states the major goals of the partner countries' poverty reduction strategies and the proposed Norwegian support to these goals. Norad and the MFA are required to report to the Parliament on the achievement of these results, and the national budget therefore reports on the results of support for the previous year. There are no reporting requirements of Norad and the MFA other than to Parliament, although an annual report on the development co-operation aimed at the general public was published by Norad up to 2003 and there are plans to continue issuing such a general annual report.

6.2 Response to non-adherence to agreements and procedures in the case of corruption, non-compliance, fraud or irregularities

Norway has no explicitly formulated policy that outlines any automatic responses in the case of fraud or mismanagement. Instead, a flexible and case-specific approach is promoted. "Fighting Poverty Together" discusses the response mechanisms by referring to the situations where results achieved are weaker than expected and where Norway must consider whether to continue a partnership. In such situations, the short-term consequences for particular population groups should be considered and the risks, adverse effects and countermeasures identified. But there are no specific or indicative guidance provided on where to strike the balance between these concerns.

However, Norway does practice penalties, and there are examples of agreements having been cancelled due to mismanagement of funds. Before reaching such situations, the practical procedures are normally to report the irregularities to the relevant counterpart and, if necessary, to the Norwegian MFA. The typical measure is to ask for repayment of funds.

7 Highlights

- Poverty reduction based on the MDGs is the central objective of Norway's development assistance
- Policy coherence is required between development policy and non-development issues, such as trade, technology transfer, debt relief
- A rights-based approach should be followed
- Results focus highlighted
- No explicit definition of any "cross-cutting issues" but a range of thematic issues of importance emphasised
- Priority sectors are defined to include education, health, private sector including agriculture, environment, health, environment and sustainable development, HIV/AIDS, peace-building and governance.
- Earmarking of national budget by countries and regions
- No country strategies (use PRS+MOU)
- Adherence to aid effectiveness - and DC as an important instrument
- No specific assessment tool for country analysis or aid modalities but reliance on WB indicators/tools
- TA is not used as an aid modality by itself but use of "institutional collaboration" between Norwegian and partner country institutions used in capacity building
- Decentralised management of the development assistance inside the Annual Performance Plan. Budget support should always be decided by HQ

- General programme planning requirements include concept note and LFA based programme document; and that programme document is prepared by the partner
- No specific organisational capacity assessment tool used in relation to counterpart institutions
- Reviews required (mid-term and end)
- Annual programme meeting is often used
- Completion report mandatory
- Results based monitoring linked to MDGs and PRS
- Evaluations based on OECD/DAC guidelines
- Nordic+ agreements used
- Financial management requirements: Cash-based, result based, non-international audits accepted subject to certain conditions, pre-payment allowed, anti-corruption analysis needed
- No explicit policy concerning response to non-adherence of agreements

8 List of Documents studied

1	MFA	Fighting Poverty Together, A Comprehensive Development Policy, Norwegian Ministry of Foreign Affairs, 2004
2	NORAD	Principles for Delegated Co-operation in NORAD, NORAD Report, 2003
3	NORAD and MFA	Development Co-operation Manual, Norwegian Ministry of Foreign Affairs, May 2005
4	(NORAD)	Reglement for økonomistyring i staten, Det Kongelige Finansdepartement, 12/12/2203
5	DAC/OECD	NORWAY, Development Assistance Committee, DAC Peer Review, OECD, 2005
6	(NORAD)	Statslig budsjettarbeid, Finansdepartementet, 2003
7	(NORAD)	St.prp.nr.1, for budsjetterminen 2005, Det Kongelige Utenriksdepartement, 2004-2005
8	NORAD	Direct Budget Support, Position Paper, NORAD, April 2002
9	NORAD	Direct budget support, disbursement mechanisms and predictability, NORAD,2005
10	MFA/NORAD	Guidelines for Norway's provision of Budget Support for Developing Countries. 15.08.2004
11	NORAD	Årsrapport 03. 2004
12	NORAD	NORAD in brief. 2005

JOINT-ASSESSMENTS OF NORDIC+ AGENCIES

Annex 6

THE DEVELOPMENT POLICIES AND PROCEDURES OF SWEDEN

1 Overall Policy Objectives

1.1 Policy Objectives and Specific Priorities

The prominent features of Swedish development policy include a strong focus on poverty reduction and the respect for human rights. The overarching policy document, the "Policy for Global Development (PGD)"¹ defines the objective of Swedish assistance as "raising the standards of poor people" further clarified as "to contribute to an environment supportive of poor people's own efforts to improve their quality of life"². The contribution to the MDGs and adherence to the OECD/DAC Guidelines for Poverty Reduction are highlighted.

The PGD is intended as an integrated policy for global development with a common objective "to contribute to an equitable and sustainable global development".

The development policy is based on a holistic and multi-dimensional view of poverty.

The objective of the development assistance has two perspectives and eight central component elements.

The two perspectives are the perspective of the poor and the rights perspective.

Participation in decision-making is a human right and listening to the poor is stressed by the other angle. The rights of children, marginalised, women and men are all important parts of this.

The central component elements state what the policy is and what development cooperation should promote and focus on:

- Basic values: democracy and good governance, respect for human rights and equality between women and men.
- Sustainable development: sustainable use of natural resources and protection of the environment, economic growth and social development and social security.

¹Approved by Riksdagen (the Swedish parliament) in a bill from December 2003.

² "Goal, perspectives and central component elements" Sida 2005. p. 2

- Others: conflict management and human security and global public goods.

For Sida the borderline between "cross-sector" and "sector issues" has therefore become increasingly artificial³. The many dimensions of poverty should be taken into consideration at an early stage both in country strategy processes and in the contribution cycle. The focus should be on the aspects which in any given situation are assessed to be of special importance⁴.

The overall Swedish development assistance for 2005 amounts to SEK 23.5 billion (EUR 2.5 million), or 0.882% of the GNI, but is expected to increase by approx. SEK 3-4 billion in the next years with the Swedish Government's commitment to reach 1% of GNI in 2006 and 2007. Approx. 29% of the assistance is allocated to Asia, Middle-East, North-Africa, Latin-America, and Africa in 2005 mainly as bilateral assistance.

1.2 Country and Regional Priorities

Sweden presently supports development activities in approx. 100 countries decided by Parliament. Although not defined as partner countries there are approximately 30 countries which could be termed "long-term and substantial" recipient countries⁵. Included are: Burkina Faso, Kenya, Malawi, Mali, Mozambique, Ethiopia, Rwanda, Tanzania, Uganda, Afghanistan, Bangladesh, Camodia, Kyrzystan, Laos, Palestinian Administrative Areas, Sri Lanka, Tjiki-stan, Vietnam, Nicaragua, Honduras, Bolivia, Albania, Bosnia Herzegovina, Georgia, Moldova.

1.3 Legislative Basis

Parliament gives Sida significant flexibility in the administration of the bilateral development budget. Only three regional budget aggregates are specified in the budget proposal to Parliament, relating to:

- Asia, Middle-East, North-Africa
- Latin-America
- Africa.

It is subsequently the responsibility of the Director General of Sida to take an annual decision to allocate the budgets to the respective Heads of the Regional Departments which further decides to reallocate the funds to the respective partner countries (annual country plan) in accordance with the overall framework decided by the Swedish Government (i.e. country strategies or as the new term is in Sida: cooperation strategies).

³ *ibid.* p. 7

⁴ *ibid.* p. 7

⁵ DAC peer review. Sweden. Pre-print of the DAC Journal 2005. vol. 6 no.3

At the same time, detailed elaboration is seen in the budget proposal's description of the issues and objectives concerning countries/regions, sector and themes. This seems to reflect the philosophy of management by results, whereby flexibility is given with respect to instruments and specificity with respect to goals. Overall, the effect is to increase the flexibility with which Sida uses its budget, thus increasing the ability to respond to country level needs.

2 Operational Policies

2.1 Country Programme Approach

Sida prepares country strategies for a number of countries, which is decided upon by the Swedish Government. Such strategies are developed for most of the "long-term and substantial" recipient countries, specifying the support in terms of themes, sectors, and aid modalities. The formulations are based on new guidelines introduced in 2005 requiring that "cooperation strategies" be developed for all "poor" countries (following DAC's criteria) where Sida is planning to engage in a substantial support programme or other financial engagement. The preparation takes place in a consultative process including the MFA, regional departments of Sida, Swedish Embassies, including a dialogue with the partner countries. The draft strategy is discussed with the partner country and a draft Agreement on Development Cooperation is negotiated and agreed upon.

In implementing the strategies, Sida is guided by the respective Country strategy and the Annual Country Plan. The role of programme assistance should generally be increased (in countries that comply with the criteria and which have the capacity to receive this form of support), while Sweden should increasingly concentrate its support to fewer sectors and thematic areas (but not countries). Moreover, certain requirements must be met by the strategies. In line with the PGD, policy integration should characterise the strategies, including all Swedish policy areas and organisations of importance in the country. The strategies should enable result-based monitoring of the impact of the Swedish support. Finally, annual plans and reporting should be prepared and linked to the strategies. Work is ongoing to concretise and develop a framework for follow up of country strategies and annual country plans.

In terms of background analysis for country strategies, the broad requirements are to consider the Swedish experience with the existing cooperation, other donor assistance in the country, and Sida's comparative advantages in the country. Analysis is also needed of a number of general issues, but no specific method or approach is required to conduct the analysis, and a system of "rating" the situation does not exist. The issues include:

- the poverty situation, using a rights-based and "poor peoples" perspective
- democracy and good governance

- respect for human rights
- equality between men and women
- sustainable natural resource exploitation
- economic growth
- social development
- conflict management and security
- the global goods

Additional analysis is required where existing information is not sufficient. Specific requirements exist for assessment of the national poverty reduction strategy, the partner country's priorities and needs, HIV/AIDS, migration, economic policy, the public financial management systems, degree of corruption, as well as the implementing institutions' capacity and ownership⁶.

With a few exceptions, the system is not prescriptive in the sense that a particular assessment must lead to a particular decision about where and how to focus the country strategy. The exception is "the respect for human rights", which should prevail in all Swedish support. Where the human rights situation of a country is particularly problematic, the Guidelines state that only limited forms of collaboration will be possible. No long-term development assistance can be provided in such cases to ministries, sectors, etc.

2.2 Assessments to Guide the Selection of Aid Modalities

The choice of aid modalities in a country derives from Sida's overall policy priorities to increase the role of budget support and sector programme support. In the particular case of budget support, the Government decides whether this modality can be used in a given country. Sida subsequently decides the level of budget support within the framework given in the country strategy. This also applies to sector budget support. The basis for choosing modalities thus consists to a large part of the analyses and assessments undertaken as part of the country strategic planning process.

As such, no procedure exists for deciding on the overall mix of aid modalities in a country. Instead, decisions are generally based on a weighing of political, historical and more principle driven concerns, where each modality is considered on its own merits, and planners use their sound judgement to draw the conclusions about what modalities to use based on the analysis. Sida's underlying thinking is that there should be clear assessment criteria, but that decisions on aid modalities should not be too much based on a "checklist" approach. The consideration of each modality follows the respective guidelines: On budget support, the principal directions are found as annex 2 (Bilag 2) to the 04/2005 guidelines for country cooperation strategies, while the main guidelines for sec-

⁶ Power analyses have been commissioned by Sida in some countries in order to prepare a cooperation strategy, but apparently this is not a requirement.

tor programme support are "Sida's Policy for Sector Programme Support and Provisional Guidelines" from 2000.⁷

Sida has developed a policy for capacity development, which is presently in the process of being published. There is no specific programme, budget, or other way of defining the use of TA presently. The external expertise which is financed by Sida is included in other aid modalities, which strengthens partners' capacity. This expertise is provided through various mechanisms including twinning arrangements, consultancies, training and network development.

2.3 Donor Harmonisation Efforts

Harmonisation is a prominent policy theme in Swedish development cooperation, flowing directly from the Global Development Policy where Sweden commits itself to incorporate all the DAC "good practices" and the principles of the Rome Declaration into their own procedures. It is followed up in the "Action plan on Harmonisation and Coordination in Development Cooperation" (June, 2003), which also defines the way forward. In the latter, Sida states that harmonisation must be taken from policy to implementation at the country level in order to be successful, and that the partner country must assume leadership in order for any harmonisation initiative to be sustained.

With regard to delegated cooperation, in particular, the Government has instructed Sida to specifically make use of opportunities to pursue two objectives:

- Saving capacity in partner country
- Provide support for more countries without corresponding increase in the administrative appropriation

Sida has a direct preference for DC over complete "division of labour" (as associated with joint-assistance strategies) but acknowledge the advantage of the latter in terms of reducing transaction costs. However, DC ensures Sida presence in a given sector while reducing the risk compared to arrangements based on "division of labour".

The "Action Plan" above reiterates a number of additional Government statements aimed at paving the way for DC arrangements. The Government has announced that "opportunities to work through bilateral and multilateral donors (delegated cooperation) shall be exploited", and "possible legal hurdles shall be solved through a separate bill to Parliament in order to increase the cooperation in delegated cooperation". Moreover, the Government has "declared that Sweden shall take a leading role in the further harmonisation efforts". Sida was given this mandate in October 2004 through a decision by the Swedish Government (formalised through an amendment to Sida's instructions) This new mandate was further clarified and underlined by Sida's Director General.

⁷ The latter are supported by the "SiRS and Sector Programme Support" (2004) and "SiRS - the Sida Rating System" (2004), which outline Sida's system for tracking progress during programme/project implementation.

On the way forward, the action plan lists initiation of more harmonisation efforts with regard to silent partnerships, procedures, etc., and the requirement to reflect harmonisation explicitly in the annual country plans. A letter of Sida's General Director should clarify Sida's position on entering into new silent partnerships. Sida is also currently preparing draft guidelines regarding DC-arrangements.

3 Organisation and Management

3.1 Overall Organisation of the Development Cooperation

Overall authority for Swedish development assistance rests with Parliament, especially the Committee on Foreign Affairs. The Government has overall responsibility for implementing the development assistance programme. However, Sida and the decentralised embassies play major roles especially in the implementation of the bilateral assistance programme.

The MFA's main responsibility is development policy formulation, coordination of Swedish actors, and multilateral relations. Since the ministry's responsibilities cover both broad foreign affairs issues and development policy, it tends to integrate the two policy areas in its positions vis-à-vis individual countries. It moreover has direct influence on the implementation of development assistance at field level through the embassies whose operation it is responsible for. In this respect, some lack of clarity may arise given the broader foreign policy priorities than those relating to development assistance.

Sida is the main governmental agency in Sweden responsible for the implementation of development cooperation acting on the mandate given by the Government. Sida has the mandate to instruct the Swedish embassies and to delegate funding and decision-making on Sida's behalf. The agency is headed by a Director General who also chairs the Sida Board, an advisory panel consisting of members from Parliament, NGOs, and the private sector. Sida consists of regional departments, sector departments, and some intra-Agency functions. In relation to the so-called fully decentralised embassies, Sida HQ assumes more and more an advisory and supportive role.

Sida receives formal instructions from the Government in the form of the annual letter of appropriation and the respective decisions on the various country strategies. In the assessment by DAC⁸, the MFA instructions to Sida have tended to become more detailed in recent years, which could reduce the flexibility necessary for Sida to participate in harmonisation efforts.

⁸ DAC peer-review 2005

3.2 Decentralisation

A broad-based effort to decentralise functions and authority to country level representations has taken place in recent years.⁹ As a result, 15 Embassies have now been fully decentralised, while a number of others are partially decentralised. Full delegation gives decision-making responsibility, including initiation, planning, preparation, decision-making, implementation, follow-up and quality assurance, to heads of missions for activities up to SEK 50 million. All decisions by Sida and the respective embassies have to be in line with the country strategy.

3.3 Decision-making

All programmes/projects over SEK 50 million (EUR 5.5 million) must be presented to an advisory panel at HQ-level entitled Sida's project committee, prior to the formal decision by the Director General.

⁹ The decentralisation to field operations is guided by the "Vision for a Strengthened Field Operation" (2004).

4 Programme Management

Sida's procedures for programme and project management follow at least two sets of guidelines, but a number of thematic guidelines must also be considered by managers. "Sida at Work" (1997) is the core document for project cycle management. However, as this has a project approach, "Sida's Policy for Sector Programme Support and Provisional Guidelines" (2000) has been drafted to supplement the former for sector programme support. The two documents must be read together. The following presents the procedures and requirements that may be gauged from the different guidelines.

4.1 Programme Planning

The **initial preparation** phase in Sida's programme/project cycle aims at determining if Swedish support to a project/programme should be further considered or rejected right away. The consideration is triggered by a **request** from the potential recipient (no specific format required). Sida responds with a brief *memo* outlining the decision of whether or not to continue considerations. The Sida staff are required to consider a number of broad criteria with particular emphasis on the relevance and effectiveness of proposal. A standardised treatment is ensured by providing staff with questions focused on the recipient's needs, ownership, alignment with Swedish priorities, but also the capacity of the potential partner to implement the intervention. An independent **appraisal** may be undertaken if the project/programme is complex, either as a joint-exercise with the partner or a Swedish initiative.

In the case of programme support, the assessment should also consider 1) country strategies/plans related to the general development policy (including macro-economic trends) and the correspondence with Swedish priorities, and 2) a risk assessment considering macro-economic factors, financial management and control, ownership, and the prospects of providing long-term assistance with other donors. The draft memo should include a draft **in-depth preparation plan** in case a positive decision to consider support is made.

Subsequently the **in-depth preparation** phase aims to produce the more detailed analysis and documentation necessary for Sida to make final decisions about whether to support the project/programme. The **Draft Agreement** should also be agreed with the partner. On the side of Sida, the relevant regional department of Sida or decentralised Embassy is responsible for managing this phase. Sida's particular duties are to assess the programme/project document in

relation to Sida's goals and procedures, to carry out the dialogue with the partner, and to analyse the capacity of the partner for resource management and procurement in order to assess the responsibilities that may be placed with the partner. However, the formal responsibility for the project/programme preparation is placed with the partner, although Sida can assist the process with technical or financial resources.

A broad range of criteria have been laid down to guide Sida staff in the assessment of proposals, defined in a number of different places. "Sida at Work" defines the overall criteria to assess, which include the relevance, effectiveness, feasibility, sustainability, quality of the development cooperation framework, and risks related to the support.

The procedures also require the assessment of certain poverty related issues to feed into the overall prioritisation where relevant.

- Environmental Impact Assessments
- Peace and Conflict Assessments
- Human rights
- HIV/AIDS
- Gender equality
- Conditions for economic growth and social development

In-depth studies may be undertaken of these issues if necessary. Environmental impact assessments are compulsory, but this may be undertaken by Sida if the partner is not able to do so.

In the case of sector programme support, the "provisional guidelines" referred to above emphasise sector specific issues, partner implementation capacity, and risk assessment as important issues to assess, particularly the risk assessment.

For the partner capacity assessments, the key issues to consider include overall poverty policy and sector strategic issues, macro-economic requirements, accountability systems, and institutional capacity issues. An assessment must also be made of the political commitment of the partner Government to the areas supported. The more detailed requirements are summarised in the table below:

Issue	Requirements
Poverty Reduction Strategy	<ul style="list-style-type: none"> • For budget and sector programme support the link to the PRS must be demonstrated policy as financial
Country's sector policy and sector strategy	<ul style="list-style-type: none"> • Coherent, feasible, fully supported by those affected • EIAs • Specific sector analysis warranted
Macro-economic requirements	<ul style="list-style-type: none"> • Prudent exchange rate policy, manageable budget deficit, low inflation

	<ul style="list-style-type: none"> • Positive expectation of increasing resource mobilisation by recipient • Sida wants to use other donors' assessment, but ultimate assessment can only be made by Sida
Government accounting and payment systems	<ul style="list-style-type: none"> • International accounting standards • Annual consolidated accounts • Audit systems that are reliable and enable corruption to be counter-acted
Institutional and organisational aspects <ul style="list-style-type: none"> • Country level capacity • Framework for cooperation between the parties • Dialogue 	<ul style="list-style-type: none"> • Joint-capacity development of partner and financier • Capacity assessment of human resources and organisational and institutional issues covering the broad range of entities affected (refer to Sida capacity assessment framework); no specific capacity requirements for support • Code of conduct between parties (optional) • Dialogue at strategic level for promotion of Sida priorities on poverty, gender, democracy, environment
Political conditions <ul style="list-style-type: none"> • Political commitments in the country • Political support for sector policies/programmes • Political support for external financiers 	<ul style="list-style-type: none"> • Political commitment important for success and should be assessed through stakeholder/participatory analysis

The Swedish assessment framework is not prescriptive or aiming to be "exact". It lists the wide range of issues to be assessed and the concrete questions to be asked. The framework generally leaves it to the discretion of the Sida staff to derive the implications of the assessments for whether or not a sector programme should be supported.

Certain bottom-line requirements exist for Sida to engage in support to a sector programme:

Requirements for entering into programme support:

Macro-economic situation must be satisfactory
Fundamental stability in the exchange rate, inflation and budget deficit situation
Long-term financing guarantee evidenced by a realistic financing strategy
Budget priority given to the sector and a "sound" prioritisation of expenditures within the budget
A certain minimum level of transparency and accountability to indicate that the Swedish support is made available for financing the sector

For budget support, the implementation of an economic reform programme based on a poverty reduction strategy, an open and transparent budget and budget process, good governance and measures to combat corruption
Sida shall never be the sole contributor to a SPS arrangement but can choose to be a silent partner
Sida shall have reached an agreement with the partner country regarding objectives and policy framework
Sida shall contribute to a basket fund when transparency and financial management systems have been assessed and found satisfactory
Sida prefer to provide un-tied resources for SPS through the national budget when Sida is satisfied with the PFM system.

4.2 Approval

The outputs of the in-depth preparation phase is a final project/programme document prepared by the partner and agreed to by all parties, as well as an assessment memo (BPM) prepared by the responsible entity in Sida. The BPM summarises the conclusions of the assessments of the above criteria and outlines the Swedish contribution. It is attached with a draft agreement.

4.3 Implementation (Monitoring)

During implementation, Sida focuses on follow up of progress according to criteria that have been agreed. The dialogue is an important part of the process also during the implementation stage.

The partner is responsible for programme implementation, including the general management in accordance with the agreements, monitoring of the programme (including possible mid-term evaluations), and reporting to Sida about results and expenditures incurred.

The reporting requirements to Sida are defined in open terms and generally depend on the individual agreements. However, annual reports are generally required, which moreover should be narrative and financial.

SIRS - is Sida's Rating System which assess whether a Sida supported activity (programme or project) exceeding SEK 3 million is on the right track. Rating takes place at least once a year.

Refined base-line analysis, improved monitoring and follow-up mechanisms and the identification of measurable and relevant performance indicators become essential.

4.4 Financial Management

Financial management in Swedish assistance are summarised in "Sida's Guidelines for Planning, Reporting and Audit, Project and Programme Support (10/2003).

Accounting principle. Cash-based accounting is the principle in Swedish development aid.

Payments. Interest earned shall be accounted and interests from Swedish funds shall be specified and used for the project activities (or if earned by non-Government entities returned to Sida).

Reporting. Financial reports shall include reporting on expenditure and revenue, budget follow up, and statement of financial position.

Auditing. The financial reports shall be audited by an external, independent and qualified auditor. A separate audit may be requested if considered necessary.

4.5 Completion

A completion report is compulsory, focussing on learning relating to impact, sustainability and long-term effectiveness.

5 Agreements

Sida uses three categories of agreements: 1) Agreements on Development Cooperation at the country level, 2) Specific agreements at the level of programmes and projects and 3) Agreements on General Terms and Conditions for Development Cooperation.

Joint Financing Agreements may form part of the Specific Agreement when appropriate.

6 Accountability and Sanctions

6.1 Accountability Requirements in relation to Auditor General, Parliamentary Committees, or other Bodies

Report on contributions is made annually.

6.2 Response to Non-adherence to Agreements and Procedures in the case of Corruption, Non-compliance, Fraud or Irregularities

Sida has an anticorruption regulation¹⁰ that spells out the position and actions of Sida in relation to corruption or other type of mismanagement of funds. The policy signals a strong position on corruption: "Sida takes agreements seriously and regards them as inviolable" and "If proof of mismanagement or corruption emerges, Sida shall consider cancelling its support for the contribution. If no rectification is made, the agreement shall be terminated and Sida shall require repayment of the funds involved. However, the first resort is of Sida is normally to demand repayment of funds disbursed if the partner in cooperation does not follow the agreement. In general, "Sida shall never accept corrupt behaviour and shall always raise any such in its dialogue with the collaborator."

¹⁰ Sida's Anticorruption Regulation, 2004.

7 Highlights

- Sustainable poverty reduction through contributing "to an environment supportive of poor people's own efforts to improve their quality of life" is the central objective of the development assistance of Sweden.
- Coherence is required between development policy and other policy areas such as trade policies
- The multi-dimensional nature of poverty leads Sweden to conclude that the borderline between cross-cutting and sector priorities is increasingly becoming artificial when analysing poverty. Sida defines two "perspectives" - of poor and rights - and a number of "central component elements" - including good governance, gender environment, economic growth, social security and conflict management.
- Overall earmarking within the Swedish budget for development Cooperation by regions. Sida allocates funds for individual countries.
- Country strategies developed for the most important countries, using the multi-dimensional approach to poverty. Defining sectors, aid modalities and set up results monitoring mechanisms.
- Adherence to aid effectiveness, and DC as an important instrument for which guidelines have been developed
- Sometimes use broader "power analysis" to inform country strategic plan
- Budget support to be used increasingly but based on the analysis of the country strategy and analyses of the financial management system in the country.
- Sweden has no specific policy on TA, but it can be part of support for capacity building as part of programmes
- The Embassies in most of the countries important for Swedish development assistance has been fully decentralised, but all programmes bigger than SEK 50 millions must be approved by project committee in Sida's HO.

- General programme planning requirements include an initial memo to determine whether or not to continue considering the request from the partner.
- There are clear requirements for entering into sector programme support and for assessing proposals. Sida can assist in commissioning necessary studies for proposals such as environmental impact assessments, which are mandatory
- A - preferably joint donor - appraisal should be included as part of the approval process. Sida in the end always has to make an assessment, which will normally be based on the joint donor appraisal.
- Sidas monitoring system monitors at least once a year if the supported activities are on the right track.
- Completion report mandatory
- Nordic+ agreement used
- Financial management requirements: Cash-based, result based, annual audits necessary, pre-payments allowed
- Sida's response mechanisms when non-compliance with agreement by a partner is defined on a case-by-case merit.
- Sida has had several extensive DC arrangements with other likeminded donors, e.g. Holland, Norad and DFID and is under specific Government instruction to use opportunities for delegated cooperation.

8 List of Documents studied

1	SIDA	MEMO - Sida's Action Plan on Harmonisation and Coordination in Development Cooperation, 18/6/2003
2	SIDA	Activity Levels in SIDA's Sector Programmes, 8/3/2002
3	SIDA	SIDA's Anticorruption Regulation, Department for Policy and Methodology, December 2004
4	SIDA	Progress in Implementing the Rome Agenda, Sweden, 20/9/2004
5	SIDA	Perspectives on Poverty, October 2002
6	SIDA	Sida at Work - A Guide to Principles, Procedures and Working Methods, September 2003
7	SIDA	Sida at Work - A manual on Contribution Management. 2003
8	SIDA and Ministry of Foreign Affairs	Guidelines for Country Strategies in Swedish Development Cooperation, (incl. annex 1). 2001
9	Ministry of Foreign Affairs	Swedish Strategy for Support for Regional and Subregional Cooperation in Sub-Saharan Africa January 1 2002-December 31 2006. (No date)
10	SIDA	SiRS-The Sida Rating System 2004
11	SIDA	SiRS and Sector Programme Support 2004
12	SIDA	Programme Support and Public Financial Management 2005
13	SIDA	Sida's Anti-Corruption Regulation. 2004
14	SIDA	Sida's Policy for Sector programme Support and Provisional Guidelines. February 2000
15	MFA	Guidelines for cooperation strategies. 2005-04-28
16	Sida	Goal, perspectives and central component elements. 2005

JOINT-ASSESSMENTS OF NORDIC+ AGENCIES

Annex 7

THE DEVELOPMENT POLICIES AND PROCEDURES OF UNITED KINGDOM

1 OVERALL POLICY OBJECTIVES

1.1 Policy objectives and specific priorities

Poverty reduction by furthering the "sustainable development or improving the welfare of a population" is the official goal of the development assistance of the United Kingdom, as defined in the International Development Act from 2002. The commitment to the MDGs is central in the UK policy for international assistance. It is reflected in the mission of DFID, the Department for International Development, "to reduce poverty in developing countries by achieving the Millennium Development Goals", and by relating the performance measurement of the development assistance directly to the MDGs.

Policy coherence between development and non-development issues in the UK's international relations is a goal. Moreover, the White Paper on International Development¹ from 2002 positions development assistance clearly in the context of globalisation by including trade, private investments, global environmental problems and the digital divide as central issues to be tackled in British assistance.

DFID has not defined any particular priority sectors. The starting point for defining which sectors and themes to work with in a country is the relevant poverty reduction strategy combined with the MDGs.

Cross-cutting issues have been defined for integration in all support provided by DFID based on strategies for each theme, which include:

- Governance
- Gender
- Conflict
- HIV/AIDS

In addition, an environmental screening note must be part of any programme preparation. This would have to be prepared by the DFID in any joint arrangement where the other donor did not undertake an environmental impact assessment.

¹ Eliminating World Poverty: Making Globalisation Work for the Poor. December 2000

In 2004/05 the total spending was approximately Euro 5.86 billion (£ 4,014 billion). A significant increase is expected in the coming years, with the target of reaching approximately Euro 7.93 billion (£5.43 billion) in 2007/08.

1.2 Country and regional priorities

DFID currently provides support to approximately 80 countries in Africa, Asia and Latin-America, more or less equally divided between the three continents². No priority or particular "programme" countries have been defined in the UK programme for development assistance.

1.3 Legislative basis

The overall legal basis for the development assistance of the UK is the International Development Act from 2002. The act in turn forms the basis for the Public Service Agreement 2003-2006, agreed to in the same year. The Secretary of State is accountable for the delivery on the Public Service Agreement and jointly accountable with other secretaries on other international targets.

The Public Service Agreement is thus the backbone of DFID's administration of development assistance, with the development budget allocations directly linked to each of its five objectives. The budget is allocated for the current year to country or regional specific priorities in addition to specific policy areas or multilateral institutions. Indicative planning figures are provided for the consecutive two years. The budget is approved by the Secretary of State. Therefore, the Secretary is accountable for delivering on the Public Service Agreement, but has discretion to allocate budget lines to this end.

Performance measurement in DFID is based directly on the Public Service Agreement. Specific targets for "development impact performance" at country level have been defined in the agreement for this purpose. Every 6 months progress on the targets defined in the agreement is reported in the Autumn Performance Report or Departmental Report publicly to Parliament. The PRISM data and performance measurements against value for money PSA targets are also included in a quarterly Management Report.

² Because of the large number of countries they are not mentioned here. See the DFID website www.dfid.gov.uk

2 OPERATIONAL POLICIES

2.1 Country programme approach

DFID develops Country Assistance Plans (CAPs) and Regional Assistance Plans (RAPs) that describe DFID's support to countries or regions. The CAPs are rolling business plans with a 3-5 years timeframe, which are mandatory for budgets exceeding £20 million/year. No requirements on specific priority sectors exist to direct the focus of CAPs. Neither has any upper limit been set on the number of sectors to support in a country, although limiting the support to only a few sectors is encouraged.

CAPs start from a partner country's poverty reduction strategy and explain how DFID will work, as part of the international development effort, to support the country's strategy. They define the resources, technical expertise and influencing capacity that DFID can offer in support of the poverty reduction strategy. The harmonisation of assistance plans with those of other donors should also be part of a CAP.

The main contents of a CAP include:

- Appraisal of the poverty context, including partner country's poverty strategy
- UK partnership plans over the poverty strategy period
- Performance framework and annual plan

Various analytical studies typically form the basis of a CAP, but there are no mandatory requirements for specific methods or approaches to be used as a basis for the country strategic planning process. For the poverty reduction strategy appraisal, political economy studies of the main forces for and against change in society are used in many cases. These "drivers of change" analyses are a prominent feature of many country programme planning process and add an in-depth political strategic aspect on what and where to support to affect change in the country. In addition, "poverty and social impact assessments" or "strategic environmental assessment" tools are used to identify the key risks to DFID's plan. However, the overall principle is to use a flexible and case-specific approach to the analytical work.

The main responsibility for managing the process and drafting relating to the CAP rests with the DFID field office, but the CAP must be quality assured by

the Corporate Strategy Group and approved by the Secretary of State through the Director General for Programmes, and where s/he is the lead minister, the Parliamentary Under Secretary of State.

2.2 Assessments to guide the selection of aid modalities

DFID distinguishes between three main types of support:

- Poverty reduction budget support (PRBS), where funds are delivered directly to the partner government as part of their annual budget
- Non-budget support financial aid, to assist a specific programme or project
- Technical cooperation, where DFID delivers the technical assistance for the partner government.

DFID has a strong preference for using PRBS combined with technical assistance if the conditions are right. The overall trend is therefore moving in the direction of increased budget support. The main assessment requirement for budget support is a fiduciary risk assessment, which is mandatory. Specific guidelines have been designed for this purpose.

DFID does not approach decision-making on aid modalities as a question of "what constitutes the effective, overall mix of aid modalities in a country". The overall policy priorities (i.e. budget support primarily followed by programme support) are the important drivers behind decisions on aid modalities, combined with country-specific political and institutional analysis. The main instruments for deciding on aid modalities are the CAPs, which approach the choice of aid modalities and sectors/themes as an integrated question. The analysis leading up to the CAP thereby also becomes the main analytical basis for deciding on aid modalities. No standard instrument or guideline is solely devoted to assessing which mix of aid modalities should be used in a given country.

DFID sees TA as an important element of development assistance, which should be provided in conjunction with budget or programme based support. DFID³ defines TA/TC in the following way: "technical co-operation is aid in the form of provision of expert advice, specialist personnel, or training and research grants. Its purpose is to build up knowledge and technical skills in developing countries for the longer-term, so that it makes a real contribution to reducing poverty in their countries, and helps them to stand on their own feet".

The principles for use of TA by DFID include.

- the need for TA should be demand-driven and the partner should consequently describe the need and scope of TA

³ http://www.dfid.gov.uk/news/files/success_stories/technical-assistance-summary.asp

- procurement of TA follow the Joint Procurement Policy
- increasingly pool funding for TA with other donors
- use local resources as much as possible and only use international TA when there is a demand from the partner for this.

2.3 Donor harmonisation efforts

DFID is fully committed to the alignment and harmonisation agenda of DAC, which is promoted in all policy documents and strategies including the White Paper. The strategy papers make explicit references to the work of DAC's Task Force on Donor Practices (which was chaired by a senior DFID official) and DFID has implemented a Harmonisation Action Plan to ensure that policies, guidelines and procedures are in line with the harmonisation agenda. In the guidelines for country assistance papers, it is emphasised that "where possible DFID country and regional teams should be aiming to align DFID's CAP/RAP planning process with partner Government-led poverty planning and budgeting processes, and to harmonise their assistance plans with those of other donors".

DFID is currently developing a new guidance note to guide field offices in harmonised undertakings with other donors, which will replace an existing guideline from 2003 ("How do I jointly fund programmes with other donors"). Also, a template MoU for "DFID channel funds to/from other donors" to be used for DC with one other donor or small value programmes has been produced to encourage DC arrangements. For higher value and more donors, the "Joint Financing Arrangements in Program Support" (Feb. 20, 2004) issued by the Nordic+ Group should be used. Also, DFID is currently developing a type of "best practice" to guide harmonisation initiatives.

Overall DFID sees "silent partnerships" primarily as a tool and that the consideration of when to use DC should always be anchored in the discussion of JAS at country level. In interviews, DFID emphasises the high transaction costs usually involved in establishing delegated cooperation arrangements and the need to balance these in relation to the expected benefits. While the increased funding levels available in DFID could lead to increases in the number of DC arrangements, the first priority of DFID is to increase the resources to budget support arrangements.

3 ORGANISATION AND MANAGEMENT

3.1 Overall organisation

By far the largest share of the UK's development assistance is managed by DFID, a UK Government department under overall policy leadership of the Secretary of State for DFID with its own budget and accountability responsibility in relation to Parliament.

3.2 Decentralisation

DFID has delegated extended authority to most of the field offices in partner countries. The heads of DFID's offices can in principle make all decisions relating to development cooperation and are responsible for the initiation, planning, preparation, decision-making, implementation, follow-up and quality assurance of UK contributions. Most of these have a considerable budget to work with. While DFID field offices work closely with British Embassies or High Commissions in the partner countries, they take independent decisions concerning development support.

3.3 Decision-making

The decision-making authorities are delegated based on the seniority of the individual position in the DFID system. Since not every local representation has the same level of staff, the actual decision-making powers differ between the offices at field level. Decision-making authority up to £ 7,5 million at field office level is typical.

All programmes exceeding £20 million, as well as "politically sensitive" programmes, must be submitted through the relevant Director General or Parliamentary Under-Secretary of State to the Secretary of State for approval. As stated earlier, the country strategies (CAP) require quality assurance by the Corporate Strategy Group at DFID's head offices and approval by the Secretary of State through the Director General of Programmes.

4 PROGRAMME MANAGEMENT

4.1 Programme Planning⁴

Overall DFID's programme planning procedures are clearly outlined but at the same time guided by the general principle of flexibility, which means that procedures can generally be departed from for the benefit of joint-efforts with other donors.

The detailed planning of any support programme over £1 million is preceded by a **concept note**. The concept note presents the basic information on the purpose, relation to PRS, MDGs and the CAP, estimated budget and project partners, and must outline the approach to design, appraisal, risks and risk mitigation. A checklist of who will be consulted and the steps to prepare a full proposal should also be included. If necessary, a concept note may be preceded by a technical assessment undertaken by a technical specialist, but the decision on whether and how to include a pre-assessment is at the discretion of the desk manager. The concept note has to be approved by the person with the required level of delegated authority as determined by the budget size.

The **project document** must clearly show the linkage with the national poverty strategy, the CAP, as well as other donor programmes and harmonisation efforts. It should identify development outcomes (also in relation to MDGs) and have clear objectives and specified input. Finally it should state the period of funding, the funding mechanism and the type of financial contribution. The PD should be accompanied by 1) a log frame, 2) a consultation record and 3) an environmental screening note. In addition, a programme implementation description and risk analysis should be included.

The **appraisal** is part of the programme document but must be completed before submitting the programme for approval. The appraisal should cover economic aspects - including a fiduciary risk assessment if budget (sector) support is involved - and aspects relating to the social/poverty, institutional, environmental and political factors, including the "forces for and against change". No independent appraisals are needed, although external consultants may be involved if considered necessary.

⁴ DFID's procedures are presented comprehensively in "the Blue Book, Essential Guide to Rules and Tools", including the requirements and process of the programme cycle.

4.2 Approval

The main approval requirements relate to the person who has the delegated authority to approve programmes (which depends on budget value) and the need to submit all programmes exceeding £20 million, and those that are politically sensitive, to the Secretary of State. There are no requirements for submission to programme committees or approval cycles.

4.3 Implementation (monitoring)

During implementation the main focus turns towards monitoring performance. Here DFID highlights the requirement that stems from DFID's internal performance management system, the Performance Information System for Management (PRISM), which requires data to be collected and entered by the responsible head of department or overseas office. The data collected through PRISM subsequently feeds into the various reports produced by DFID to comply with their accountability requirements to Parliament.

Annual reviews of programmes are always undertaken and, if considered appropriate, mid-term reviews are also undertaken.

There are no minimum requirements specified to the financial or narrative reports submitted by partners or specification of any programme monitoring mechanisms or principles. In general the financial and reporting requirements vary and depend on various factors, including if DFID works jointly with other donors.

4.4 Financial management

Accounting principle. DFID's accounting and financing procedures are governed by the Government Accounting Manual produced by HM Treasury. Resource accounts which are accrual based are used, and therefore expenditure is recorded as it is incurred and not when it is paid out, which reduces the pressure to meet end-of-year disbursement targets.

Payments. All payments relating to budget support must be made through Crown Agents Financial Services (CAFSL). Payments related to programmes and projects should be paid in arrears (in special cases pre-payments are accepted), but if DFID is a silent partner, pre-payments may be accepted though never in advance of need. Unspent funds must be returned. Interest earned should be clearly identified and can be used for activities or administration costs if agreed. DFID's contribution should be given in Sterling.

DFID must hold all third-party money (e.g. funds received from other donors in delegated cooperation arrangements) in separate accounts. The third-party accounts are cash-based and the accounting requirements for these are limited to financial reports. Given the need for separate accounts and reporting for third-party money, DFID prefers to receive such funds only in high amounts (preferably above £1 million) because of the strain on capacity from the administration involved. Because of the capacity strain related to third-money accounts,

DFID generally prefers, in the case of DC arrangements, to use fund managers who can receive the money directly from the participating donors and deal with the financial management issues.

Overall, keeping third-party money separate from the exchequer means that the disbursement of these funds is not factored into the measurement of DFID's performance.

Reporting. An end of year financial statement is required, but there are no requirements for narrative reports. Progress reports are required but reports by other donors are accepted.

Auditing. The normal requirements are for the annual statements to be audited by the Auditor General or an alternative audit discharge through an independent external audit. Value for money auditing standards are used.

DFID can accept audits based on other countries' audit and financial management systems, as long as a good quality audit trail is established, possibly augmented by additional audits where gaps are found.

Procurement. DFID's procedures on procurement follow the EU procurement directives and consequently the procurement is united and based on competitive tendering. Normally the procurement of goods and equipment is outsourced to procurement agents. DFID generally accepts the procurement system of other donors (particularly Nordic+). However, DFID highlights that eventually it is the procurement systems of the partner countries that matter, and in many cases these need substantial strengthening.

No administration fee for joint funding is charged, nor would the DFID expect other donors to charge DFID an administrative fee.

4.5 Completion

A Project Completion Report must be completed for all projects/programmes exceeding £1 million.

5 AGREEMENTS

Direct arrangements between the DFID and a partner government are normally based on a standard MoU. The standard template MoU does not require description of any rules for reporting and programme management, since these aspects should normally be adequately explained in the programme document.

In the case of co-financing with a Nordic+ partner, the Joint-Financing Agreement template for this arrangement is the standard document officially referred to.

DFID does not accept joint-arrangements based on formats with legally binding language. The term "agreement" is therefore not used in DFID to denote such forms of collaboration and in fact the preferred term is "arrangement". It is a challenge when collaborating with donors who favour "legal" agreements. However, in these cases DFID is normally able to find solutions whereby the important principles are maintained but the legal qualities removed.

6 ACCOUNTABILITY AND SANCTIONS

6.1 Accountability requirements in relation to Auditor General, Parliamentary Committees, or other bodies

DFID is accountable to Parliament mainly through the International Development Select Committee and the National Audit Office (NAO). As described elsewhere, DFID accounts on the basis of the Public Service Agreement and the development targets defined herein. The reporting basis consists of the annual review of Departmental Report and Accounts and the autumn and spring reports.

6.2 Policy on Response to Non-adherence to Agreements and procedures in the case of corruption, non-compliance, fraud or irregularities

DFID's policy on fraud and corruption is one of "zero tolerance". DFID will take action to recover any funds that have been lost, and future funding will be withheld from partner governments whenever mismanagement is detected. A standard clause in the template MoU gives DFID the right to modify or terminate the financial contribution if consultations between the parties cannot resolve the matter. There are, however, no detailed guidelines for DFID's reaction in the case of non-compliance with agreements or suspicion of fraud, corruption or other mismanagement. Each case is dealt with individually.

7 Findings

- Poverty reduction based on the MDGs is the central objective
- Coherence between development and non-development policy issues is an objective, including trade, private investment, global environmental problems, and the digital divide
- No priority sectors or themes defined - the basis is the national poverty reduction strategy
- Cross-cutting issues have been defined to include governance, gender, conflict, HIV/AIDS, and environment
- Specific priority countries for DFID are not defined among those receiving support from DFID
- Earmarking in budget approved by Parliament in terms of countries and regions
- Country programme strategy used (Country Assistance Plans)
- No specific requirements about what country analysis tools should be used. Political economy studies are often undertaken and inform the strategic choices
- No specific tool used for assessment of which aid modalities to apply, but fiduciary risk assessment tool is used to assess scope for budget support
- Budget support plays a significant role in the overall development assistance
- TA is an important part of the development assistance
- DC is primarily seen as an instrument in the context of joint-assistance strategies; a guidance note on how to work with other donors (including DC) is being updated

- Extensive decentralisation to DFID field offices, including major decision making responsibilities
- Programme planning procedures include a concept note and programme/project document normally prepared by DFID but based on consultation with partner/recipient
- The appraisal is not separate from the project/programme document and not independent
- No requirements for reviews or annual programme meetings
- Financial management requirements: Accrual based, no prepayments, third-party accounts required, audit by international standards, Nordic+ JFA used.
- MOUs preferred as opposed to legally binding agreements
- No specific policy or guidelines on corruption but a "zero tolerance policy" is emphasised

8 List of Documents studied

	Eliminating World Poverty: Making Globalisation Work for the Poor. White Paper on International Development. December 2002
1.	Essential Guide to Rules and Tools. The Blue Book. DFID 2005
2	DFDI's Public Service Agreement (PSA) and Service Delivery Agreement, DFID, 2003-2006
3	Tools of Development, A handbook for those engaged in development activity, Department for International Development, March 2003
4	How do I jointly fund programmes with other donors, Programme and Delivery Guidance Team and Accounts Department, 17/9/2003
5	Performance & Expenditure, www.dfid.gov.uk/aboutdfid/performance.asp , 26/05/2005
6	Departmental Report 2004, Department for International Development, April 2004
7	Guidance for Good Practice in Preparing DFID Country Assistance Plans, Draft Revised Version 2, 27/4/2005
8	Africa Director's Delivery Plan 2005-2008, Extract from DDP, 7/4/2005
9	Guidance Note - MOU between DFID and Partner Government, Poverty Reduction Budget Support / Non-budget Support Financial Aid and Technical Co-operation, April 2005
10	DFID Country Assistance Plans for Supporting Poverty Reduction, Draft Revised Version 2, 27/4/2005
11	DFID PSA 2005-2008, Aim: Eliminate poverty in poorer countries in particular through achievement by 2015 of the Millennium Development Goals, no year

12	Guidance Note - DFID Channels Funds to/from Other Donors, April 2005
21	Template MOU - DFID Channels Funds to/from Other Donor (s), April 2005
22	