

Director
DEVELOPMENT CO-OPERATION DIRECTORATE

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To: DAC Delegates and Observers

Sweden's Mid-term Review, 16-17 March 2023, Stockholm

On 16-17 March 2023, I conducted the mid-term review of Sweden, together with Renwick Irvine and Anita King of the Development Co-operation Directorate (DCD). I wish to thank Director General Helen Eduards and officials at the Federal Ministry of Foreign Affairs (MFA), Director General Carin Jämtin of the Swedish International Development Co-operation Agency (Sida) and Sida staff, as well as officials from Swedfund, representatives of the Foreign Affairs Committee of the Swedish Parliament, and of civil society. In addition, we had a rich discussion with the Expert Group for Aid Studies (EBA) prior to our visit. I thank all stakeholders for taking the time to meet with us, and Mr Olof Boström Jackman of the MFA for the excellent co-operation in the lead up to the review.

The mid-term review focused on Sweden's progress towards the 9 recommendations identified in the [2019 DAC Peer Review](#) as well as developments that have taken place since. We were encouraged to see Sweden's good progress on several recommendations, notably on the Humanitarian-Development-Peace Nexus, on results and on staff capacity (Recommendations 2, 3 and 9). Sweden is also making progress against the remaining six recommendations as highlighted in the table in Annex. In October 2022, a new Swedish Government was elected. The new Government's reform agenda is currently being prepared and is expected to be finalised by the autumn. As such our discussions also looked ahead to the future directions of Swedish development co-operation.

Significant changes in the domestic and international context have impacted Sweden's development co-operation and ODA allocations

The Budget presented in January 2023 allocated SEK 56 billion (USD 6.1 billion) annually to ODA in 2023-2025, representing 0.88% of projected GNI in 2023. Whilst bringing predictability to the ODA budget for the next three years, this is a departure from Sweden's long-standing goal of allocating 1% of GNI to ODA and sends a negative signal to partners at a time when the need for and demands on ODA are so acute. The reduction of core funding to the multilateral system likewise brings a risk that Sweden is perceived as moving away from its valued role as a global actor. We discussed the important role that Sweden plays within the DAC and globally and encouraged Sweden to demonstrate its continued ambition and international leadership.

Sweden has provided aid to Ukraine both bilaterally and together with EU partners, allocating more than SEK 2 billion (USD 192 million) in ODA since February 2022. The Government has stated that it intends to further increase the focus on humanitarian aid in the short term and to contribute to recovery and reconstruction through long-term development co-operation, integrating this with trade initiatives. This support for Ukraine has broad political support. The large increases in in-donor refugee costs in 2022 shifted ODA away from country programming and resulted in a rapid reallocation of funds away from other priorities and needs. We heard that Sweden tried to find solutions to maintain partnerships through no-cost extensions, although difficult decisions were made quickly and at times with a lack of clarity around the criteria used for cuts. Sweden's recent decision to place a cap on in-donor refugee costs (8% of the total ODA budget) was widely supported and potentially offers a model for some other DAC members. Going forward, as Sweden undertakes a process to reprioritise its ODA budget, ensuring this is based on clear criteria, is well co-ordinated with other actors, remains poverty-focused and is supported by responsible exit strategies will be critical to limit the impact on Sweden's long-term investments and partnerships.

New priorities and themes, with some continuity, will need to be managed carefully to ensure impact

Whilst Sweden's decision to move away from the Feminist Foreign Policy signals a change of emphasis, we were informed that gender equality will remain central to development co-operation. It will be important to cement this not

only through strong support to transformative programming but also in how Sweden projects itself in multilateral fora. Sweden's commitment to climate change has also been underlined by the new Government, but it was too early to assess progress. Two emerging policy areas are migration and trade. Whilst recognising that migration is a major domestic issue, we cautioned against the explicit use of negative conditionality regarding countries accepting returns. The Government's trade and development agenda is still in the process of being developed. There is a robust economic development workstream within Sida which provides an excellent basis upon which to build a more holistic approach to supporting trade and economic growth in partner countries. Linking this agenda with Swedish companies has its limitations in terms of effectiveness. The next peer review will provide a better opportunity to assess progress in these evolving areas of focus.

Harnessing the whole of the Swedish development system will be important at a time of change

Swedish development co-operation benefits from a rich ecosystem of actors which the new Government can usefully draw upon to help advance priorities. As a development agency Sida is known for its robust programming and policies that allows it to demonstrate results and help communicate these. The current focus on transparency and accountability would do well to draw on existing efforts around digitalisation, evaluation, and monitoring. The Expert Group for Aid Studies is also well-placed to continue to provide intellectual insight and strategic evaluations on issues that matter most. Harnessing such expertise to provide challenge to the system will help ensure Sweden's development assistance is as effective and relevant as possible. Furthermore, Sweden's civil society is vibrant, professional and engaged. Key mechanisms for dialogue, including those set out in the Joint Commitments between Swedish CSOs and the MFA, should be constructively used to benefit from their insights. Whilst the budget allocation for information and communication has been significantly decreased, civil society have an important role in encouraging public support for development co-operation. Continuing to work with civil society and think tanks to promote informed, open debate and engagement on sustainable development will remain critical in a changing global context.

The focus on efficiency gains should increase the impact for the poorest and most vulnerable

Throughout the review, the leitmotif that came through strongly was the increased focus on efficiency. As the 2019 peer review found, Sweden is an adept actor with a comprehensive toolbox for leaving no one behind. Key to Sweden's approach has been the high degree of delegated programme and financial authority. The increased administrative appropriation for Sida over the last three years has reinforced staffing in-country and enhanced the delegated approach, a cornerstone of Swedish development co-operation. Equally important, and as a global leader, Sweden has placed poverty reduction at the centre of its development co-operation system. This is hardwired into the system through its multidimensional poverty analysis tools. Protecting these resources and strengths whilst seeking efficiency gains will be a fine balancing act for the new Government in its reform agenda.

Conclusion

The mid-term review found substantial progress against recommendations. Sweden benefits from a robust, effective and efficient development co-operation system with high-calibre staff. As the Government develops its reform agenda there are opportunities to retain and build on these strengths. The next peer review in 2026 will be an opportunity for Sweden to showcase its continued ambition and international leadership, as well as to assess how its new policies and focus respond to the changing context. I encourage Sweden to remain engaged with the DAC and the DCD team regularly, to update on new developments, share lessons and seek guidance from other members and the Secretariat.

Yours sincerely,



Pilar Garrido

CC: Ambassador Carsten Staur, DAC Chair
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Annex: Table on progress against the 2019 peer review's recommendations

Annex - Progress against the 2019 peer review's recommendations

Keywords	Recommendation	Progress
Development Finance Institution	1. Sweden should strengthen the alignment of Swedfund's investments to its development policy, including creating closer links between Swedfund and Sida's activities.	<i>Some progress.</i> Swedfund is not referenced in Sweden's relevant country or thematic strategies but its new goal structure agreed in 2019 and updated mission has provided a stronger alignment to development priorities. Concrete examples of close collaboration with Sida in focus countries (e.g. Mozambique, Tanzania, Uganda), notably through the Accelerator programme, supported by co-ordination between CEO/DG, demonstrate good progress. Different governance structures, instruments and geographic remit mean alignment is constrained, although greater synergy in use of guarantees may be possible. Embedding alignment within the new development co-operation policy, especially on trade and private sector engagement, will be important.
Humanitarian- Development- Peace Nexus	2. Sweden should now systematically apply its joined-up approach to addressing development, humanitarian and peace needs in all its fragile partner countries.	<i>Good progress.</i> Several measures since the peer review enable Sweden to apply the Nexus Recommendation. These include Sida's "Nexus guidance" (2020); establishment of a cross-departmental Nexus Committee in Sida; integration of Nexus considerations into the 2021-25 humanitarian aid strategy ; use of humanitarian aid analysis in longer-term development co-operation planning; establishing resilience and/or Nexus advisors in most embassies in fragile or crisis affected contexts; and adding conflict sensitivity to Sida's multidimensional poverty analysis tools. At the same time, a greater focus on humanitarian aid at the political level brings a risk that Sweden loses its focus on long-term and preventative work.
Results and knowledge management	3. To support Sweden's pioneering approach to focusing on long-term, sustainable results based on learning and adaptive programming, Sweden needs to: <ul style="list-style-type: none"> • provide further guidance and training to build staff and partner capacity to deliver on its new results-based management approach • ensure its programme management systems facilitate adaptive management and innovation • improve its knowledge management systems to ensure learning is captured and shared across the whole system. 	<i>Good progress.</i> Sweden remains at the cutting-edge on results-based management, with the development of guidance and training further strengthening the approach. This includes the establishment of an "Adaptive Working Methods Forum" with participants from Sida and partner organisations, and a helpdesk for use by both staff and partners. As a focus on results garners greater political attention, Sweden will need to continue striking a balance between adaptability and control, and between generating both quantitative and qualitative information. The next peer review will be an opportunity to assess progress on facilitating and enabling greater cross-departmental learning, still a work in progress.
Partnerships; use of country systems	4. Sweden should develop guidance to help staff to determine when it is appropriate to partner directly with partner country governments, use country systems, and increase the share of aid that is recorded on budget.	<i>Limited progress.</i> Sweden highlights the development of new civil society partnership guiding principles in 2019, appointment of a development effectiveness and ownership policy specialist in Sida, and stepping up to co-chair GPEDC as indicators of progress. Whilst Sweden's engagement is often in fragile states, more could be done to incentivise partnerships directly with governments and use and strengthen country systems. This is in part due to domestic pressure. Multilateral channels, which can better use country

		systems, have been privileged over bilateral in this regard. The forthcoming GPEDC monitoring process will be an important opportunity to test progress in this area, including feedback from partner countries, to reinvigorate the effectiveness agenda. As Sweden's engagement in Ukraine and the near neighbourhood grows, it may provide opportunities to reassess the use of country systems when possible and appropriate to promote ownership.
Evaluation	5. The MFA and Sida should continue to assess whether their policies and programmes are being consistently informed by relevant and independent strategic evaluations.	<i>Some progress.</i> Sweden is taking concrete actions to strengthen the use of evaluations, including new instructions relating to mandatory management responses in 2022, and plans for a new “communication toolkit” for strategic evaluations to support follow-up on recommendations. Sida's use of validation workshops to discuss evaluation findings as well as mixed reference groups involving internal and external stakeholders such as civil society have strong potential to support the greater use and sharing of learning. As Sweden develops its reform agenda it should ensure that it is informed by learning and evidence.
Policy framework; priorities	6. Sweden should consolidate its existing policy framework to allow staff to build up skills and knowledge in the newly-identified areas and to enable time for implementation.	<i>Some progress.</i> Sweden's 2016 Policy Framework continued to provide clear direction over the period since the last peer review. Efforts at dissemination and bringing the different strategies together are commendable, including devoting greater resources at country level. The new Government is reviewing all policies and strategies. As there is a recognition that the thicket of strategies remains a challenge, work is needed to review the different strategies to match the aspiration of clearer and fewer goals. The well-functioning relationship between Sida and the MFA provides a strong basis for these reviews, building on the mid-term review process of strategies that already exists. Drawing on lessons of what worked well will be critical to feed into the new policy development. Establishing and agreeing clear policy drivers, such as poverty reduction and inclusive economic development will help make the policy development process as relevant as possible to a changing world as well as providing clear direction to staff.
Policy framework; implementation	7. Sweden should establish a systematic approach to sharing information on the activities undertaken through its existing strategies to better capitalise on synergies.	<i>Some progress.</i> The peer review found that due to a multitude of strategies, staff struggle to gain a clear overview of Sweden's funding channels and partners in any one country. In response, the previous Government updated the guidelines for strategies, requiring a holistic view of the Swedish support in each country or region. Sida is undertaking work to achieve this, in particular, by developing a dashboard that visualises the global activities in each partner country. The dashboard is housed on the Sida intranet. Expanding access to MFA staff would be useful and support more joined-up efforts, as well as considering which elements could be made publicly available.
Priorities	8. To enhance the impact of its programming and reduce pressure on staff capacity, Sweden should allocate a higher share of its development assistance to a prioritised set of partner countries.	<i>Limited progress.</i> A review of other Swedish authorities helped rationalise spending, including the decision to end funding for the Swedish Council for Higher Education. In 2020, 21.3% of gross bilateral ODA went to Sweden's top 10 recipients – a small increase on the 19% of 2016-17. No other work has been planned to date. However, Russia's illegal war in Ukraine has led to a reallocation of resources. The new Government may reassess priorities and, whilst still to be determined, Ukraine and the near neighbourhood and Africa appear to be emerging as priorities. Reprioritising is politically challenging and requires evidence-based criteria. As Sweden considers how to prioritise its partner countries as part of the reform agenda, ensuring clear poverty focus, remaining engaged in LDCs and, in the implementation, carefully developing exit strategies will be important.

Staff capacity	9. Sweden should continue efforts to ensure, and take a long-term and deliberative approach to ensuring, it has adequate staff capacity in light of the programme's expanding needs.	<i>Some progress.</i> Sida's administrative appropriation was increased by 27% in 2019-2022. This exceptional increase demonstrated strong political support. It has increased resources dedicated to the Embassies in particular. By contrast, staffing in the MFA has not increased commensurately, reflecting broader public service constraints. This has led to high workloads with a stretched workforce, currently exacerbated from managing the transition and supporting the Government's new reform agenda.
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