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**WHO MAKES THE DECISIONS ON SWEDISH AID FUNDING?
AN OVERVIEW**

The Expert Group for Aid Studies (EBA)

Who makes the decisions on Swedish aid
funding?
An overview

Report 2018:05

The Expert Group for Aid Studies (EBA)

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Foreword

The Swedish Government is a major donor of international aid. This year, 2018, the amount of aid (official development assistance, ODA) in the Swedish Government budget is more than SEK 49 billion, at par with the budget for the justice system or the defence budget. This being the case, there is a natural interest in knowing more about the decision-making processes behind the spending of ODA allocations.

This report describes an intricate system of decision making over the allocation of Swedish ODA. The description will at times be detailed. The main purpose of the report is to explain how the system works.

Decisions on aid spending are complex and complicated. Broadly speaking, the Riksdag decides the amount of funding and the Government decides on the allocation between humanitarian assistance and development assistance, how much funding is to be distributed to different multilateral organisations and to the countries with which Sweden is to conduct bilateral development cooperation. The Government also decides the amount of funding that is additionally to be invested in different thematic priorities and the purpose of that aid.

Further, the Government delegates the right to make decisions on the use of a large proportion of the aid funding to agencies (primarily the Swedish International Development Cooperation Agency, Sida) with only very overarching governance of what the funds are to be used for.

Aid differs from other budget areas in that the interventions are not targeted at the population in Sweden. At the same time, several of EBA's studies, as well as research in general, come to the conclusion that interventions usually have to be adapted to the context in individual countries in order to do good. This requires that decisions ought to be made close to where they are to be implemented.

Our hope is that this study will help to increase knowledge of how decisions on Swedish aid funding are made and that it will form a basis for future analyses of the effectiveness and governance of Swedish aid. The report is geared towards everyone interested in public financial governance but perhaps particularly those in the different "decision nodes" described in the report who would like to know more about the decision-making processes that precede and follow their own decisions.

The report is a translated, shortened and updated version of a previously published report (EBA 2016:06, “Vem beslutar om det svenska biståndet? En översikt”). Revisions were made by Mats Hårsmar with the assistance of Lena Johansson de Chateau, both at the EBA secretariat.

Gothenburg, October 2018



Helena Lindholm

Summary

In the Swedish Government budget, one percent of Sweden's forecasted gross national income (GNI) is allocated to aid (official development assistance, ODA) and referred to as the *aid frame*. In 2018, Sweden's budgeted ODA amounts to 49.0 billion Swedish kronor (SEK).

About 88 percent (43 billion SEK) of the aid frame is allocated through the *aid budget* (Budget Expenditure Area 7, International Aid). A large part (11.3 billion SEK) is given as core funding to international organizations, such as development banks and UN agencies, funds and programs. This part is decided by the Government or the Government Offices. The remainder of the aid budget is handled by Sida and other state authorities with international development cooperation operations.

The remaining 12 percent of the aid frame is allocated to other budget expenditure areas to cover costs for, inter alia, the reception of asylum seekers in Sweden, the aid-related share of the EU membership fee, and annual fees to United Nations specialized agencies.

The purpose of this report is to provide an overview of the financial governance of Swedish ODA at the national level. Many different stakeholders at various levels are involved in the decision-making process for Swedish aid including the Parliament, the Government, the Government offices and state authorities, local governments, local level authorities, and implementing organisations. This report reviews the national level actors' formal authority to decide how and for what purposes aid funds are used.

The Parliament directs funds at the appropriation level to the Government, which in turn allocates funds to the Government Offices; to the authorities operating under expenditure area 7; and to ODA-classified operations under other expenditure areas.

The Parliament is free to decide on the degree of control it exerts over how public funds are used. It can specify in detail how the budget shall be used, but it can also choose to decide on a more aggregate level, leaving ample room for the Government to decide on the allocation of funds to the implementing authorities. Today's practice is closer to the latter. While the Parliament has full discretionary power over the budget, multi-year agreements and contracts limit discretionary action in practice.

The Government has a broad mandate to decide on the focus and direction of Sweden's ODA. Its two main steering instruments are the annual appropriation letters to the state authorities and the multiannual strategies governing Sweden's international aid in individual countries or regions; through multilateral organisations; and aid with a thematic focus. Through the appropriation letters the Government allocates budgetary funds to the implementing authorities and determines the general and financial conditions that will apply to the year's activities. The strategies provide the strategic direction of the development cooperation and includes an indicative multiyear financial envelope.

For the authorities, the annual appropriation letter from the Government is the main steering document that determines the year's priorities and operations. The appropriation letters make reference to the relevant multiannual strategies, which provides the authorities with the conditions for medium to long term planning. Through the appropriation letters the authorities are also given the right of disposal of certain budget lines, e.g. for the implementation of a specific strategy. Within these limits, the authorities are free to decide on implementation.

At the Swedish state level, the Government Offices and/or Sida are the final nodes of decision for Sweden's multilateral development assistance. Sida is effectuating the transfer even when disbursement decisions are taken by the Government or by the Government Offices (since 2015, the Government has taken over the bulk of disbursement decisions from the Government Offices). Regarding Sweden's bilateral development cooperation, the final nodes of decision at the Swedish state level are Sida, Sweden's missions abroad (i.e. the embassies) and other state authorities.

When an authority has received its appropriation letter, an annual plan is developed in which discretion over funds is delegated in accordance to the authority's internal rules of procedure. The procedural rules state who has the decision-making power, budgetary responsibility, the delegation of authority and responsibilities for managing Swedish support.

The Director for the respective department at Sida is responsible for delegating decision-making power and authorisation rights for funds to the head of a department unit or to the head of an embassy. Some budget lines are used for support to more than one partner

country, implying that the Director has the mandate to reallocate resources within-year between different embassies.

A delegation of authority from the Director of a Sida department to the head of an embassy means that Sida delegates the decision making power of aid funds to another agency. Funds that are allocated to Sida should be governed by a set of ordinances – the Ordinance on Government Authorities, the Appropriations Ordinance, the Ordinance on Annual Accounts and Budget and the Regulation on Internal Management and Control. While these regulations do not normally apply to the embassies, they have to be respected while managing aid funds. To handle this in practice, Sida has staff stationed at the embassies and it is customary (although not a formal requirement) that the head of the embassy delegates the decision right over the development cooperation funds to the highest ranking Sida staff at the embassy. The internal delegation of disposition rights is specified in the embassy's own rules of procedure.

The volume and type of development cooperation that is decided by a specific embassy depends on the country context as well as on the priorities and the size of the Swedish ODA to the partner country. The embassies can be divided into three levels of delegation: a) full delegation, where the head of the embassy receives a one-year mandate to implement the current strategy and make disbursements of funds; b) partial delegation, where the head of the embassy only can make payments after decision by Sida in Stockholm; c) no delegation, which means that the contributions are managed entirely by Sida in Stockholm.

An embassy with full delegation thus has decision right over funds allocated to the partner country cooperation. However, the embassy only manages support that is governed by the bilateral strategy for the partner country. It has no decision making power over interventions that are governed by other strategies (such as the thematic strategies for environmental and sustainable development, humanitarian cooperation or cooperation through Swedish civil society organisations). For the funding under the thematic strategies all decisions are taken at Sida in Stockholm. Obviously, country level activities through multilateral organisations are not under the authority of an embassy. Moreover, all financial decisions on interventions over 80 million SEK are taken at the level of the director of department or higher at Sida, even for fully delegated embassies. In this sense, the head of a fully delegated embassy has the equivalent level of decision-making power as a head of unit at

Sida. The two case studies in the report show that a significant portion of bilateral aid is decided at this level.

This mapping exercise has resulted in a number of reflections that are beyond the scope of this report but can be starting points for follow-up studies.

First, the volume of foreign aid, in contrast to the rest of the Government budget, is determined by the size of the Swedish economy (one percent of GNI). This leads to the question of how this affects the governance of Swedish foreign aid in comparison to other expenditure areas.

Second, appropriations that allow for multiannual financial commitments appear to be increasing over time. An interesting question to analyze more closely is how well this trend corresponds to, on the one hand, Sida's ability to adapt to unforeseen events and, on the other hand, the Government's ability to reform development cooperation.

Third, the fact that a large proportion of the management and decision-making authority for development cooperation is delegated to embassies should allow for improved ability to adapt to local contexts, enabling flexibility and well-informed decision-making, but can it also be problematic from a steering perspective?

Finally, the two case studies in the report show a wide variation in the extent of delegated financial control to embassies, and that numerous Swedish actors are active in many partner countries. Both from an information and coordination perspective, it seems important that there is a close dialogue between the various stakeholders that decide on Swedish development cooperation funds at country levels and that the work is coordinated as much as possible.

Introduction

Decisions on Swedish aid funding are made by several different actors (the Riksdag, the Government, government agencies, state-owned companies, non-governmental organisations, actors in partner countries), whose interaction has an impact on the final shape of development assistance. This study surveys the *financial* governance of Swedish aid: Who decides on which Swedish aid funding, for what purposes, on what formal grounds? What formal room for manoeuvre do actors at different levels have to decide on Swedish aid funding?¹

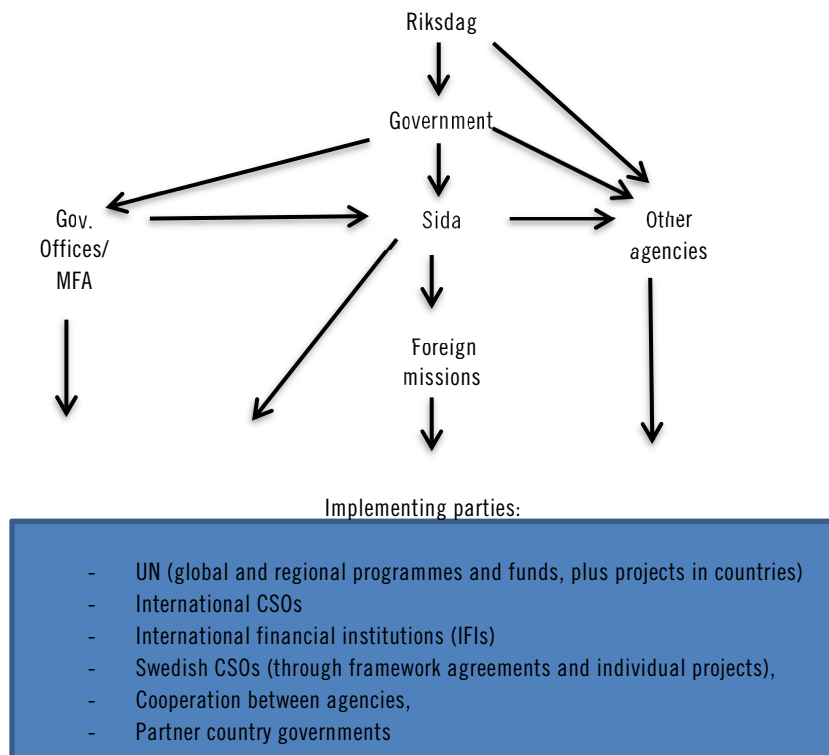
Work on the aid budget largely follows the same rules and processes as apply to other budget work in the state administration. The Riksdag makes annual decisions on the central government budget. However, it provides for a longer-term perspective by means of authorisation frameworks and an indicative multi-year budget framework. The strategies that steer aid for countries and regions, themes, and multilateral organisations are decisions made by the Government.

Figure 1 provides a schematic overview of the bodies that decide on aid funding. Development cooperation differs from other budget areas, firstly in that the amount allocated is a political commitment (the commitment that one per cent of GNI is to be spent on ODA), and secondly in that a significant proportion of the aid is delegated further from a government agency (Sida) to the foreign missions of Sweden's foreign service, i.e. Sweden's embassies and other representation abroad.² The foreign missions are independent agencies, however organisationally subordinate to the MFA. Nevertheless, all aid funding managed by the MFA must follow Sida's rules on management of aid funding.

¹The report does not address in any great detail how the focus of the aid is steered. Evaluations and analyses of the governance of aid activity have been carried out by Sida (2015) and the Swedish Agency for Public Management (2011, 2016), for example.

²See also the section on the flexibility available to foreign missions.

Figure 1. Schematic overview of the financial flows of aid from the Riksdag to actors



Note: The arrow between the Riksdag and other agencies refers to the Swedish National Audit Office. The arrow between Government Offices/MFA and Implementing parties refers to budget line 29, with the Swedish Institute Alexandria as the single largest item. The multilateral aid is decided by the Government or the Government Offices of Sweden but flows via Sida.

This study is a desk study. The underlying material comprises Budget Bills, appropriation directions, statutes and regulations, internal steering documents, annual reports, budget documentation, audit reports and audits, etc. Statistics on aid were obtained from openaid.se and the OECD/DAC's database (stats.oecd.org). Supplementary statistics were ordered from Sida. A number of interviews were carried out with staff at the MFA and Sida to supplement the written material. The study uses the most recently available year, which, depending on the context, will mean one of the years between 2016 and 2018. Certain illustrative examples in the text refer to conditions valid during the year 2014. These examples were used in the previously published Swedish

version of the report. Since the purpose is to illustrate a prevailing pattern, it was deemed unnecessary to recalculate for later years.

The report recurrently uses the terms right of decision, right of use, right of authorisation and delegation. *Right of decision* refers to the right to make decisions on how funds are to be used. *Right of use* refers to the right to use allocated funds for a specifically decided purpose. *Right of authorisation* refers to authorisation to approve payments. *Delegation* refers to allowing someone else to make decisions in one's own name, in other words transferring the right of decision within an organisation without transferring responsibility for the decisions made. An example of this is where the director of a department at Sida has the right to make decisions in Sida's name, while Sida as an agency remains responsible for the decisions made.

The study is structured as follows: Firstly, it presents the processes drawing up and deciding on the budget. This is followed (the main part of the report) by an analysis of who makes which decisions. A concluding section brings together the considerations raised by the survey.

How the aid budget is drawn up and decided

In Sweden the financial power rests with the parliament, the Riksdag.³ The State's funds must be used as decided by the Riksdag. The financial power is regulated in the Instrument of Government. There are no direct restrictions as to the Riksdag's right to decide on expenditures. According to the regulations, the Riksdag can choose to specify in detail how the appropriations are to be used, or choose to decide on large appropriations and give the Government ample powers to decide on the use of the funds. Today's practice is closer to the latter approach. The Riksdag decides on the aid frame and the aid budget and consequently also decides the leeway for "deductions".⁴

The one per cent target, the aid frame and the aid budget

The Riksdag has laid down that one per cent of gross national income (GNI) is to be spent on official development assistance (ODA).⁵ This amount, the aid frame, is calculated annually and is decided by the Riksdag in its decision on expenditure for expenditure area 7 (EA 7, International development cooperation). Because the aid frame is linked to GNI, the amount of ODA depends on the forecast GNI for

³ The financial power includes the right to decide over the State's income, primarily through decisions on taxes to the State and the use of the State's assets, mainly through decisions on expenditure in the central government budget.

⁴ Because the deductions are governed by rules, it is perhaps more true to say that the deductions, following a decision on the aid frame, determine the aid budget. However, the deductions are not the subject of any decision by the Riksdag.

⁵ The commitment was formulated in 1968 (Government Bill 1968:101) but the ambition that Swedish official development assistance was to "amount to approximately one per cent" of national income "as soon as possible" can be dated to 1961 (Government Bill 1962:100, section C). Apart from the period 1993–2005, the one per cent target has been met in all financial years since 1976. From 2015 onwards, whether the target has been met is a question of interpretation, to a certain extent. According to the updated European system of national and regional accounts, ESA 2010 (formerly ESA 1995) introduced in September 2014, the aid frame for 2015 is instead equivalent to 0.96 per cent of calculated GNI. For 2016, the aid frame is equivalent to 0.98 per cent and for 2017 to 0.99 of calculated GNI (1.02 and 1.03 per cent respectively according to ESA 1995). For 2018 the projection is 1.0 per cent (1.04 according to ESA 1995).

the coming year.⁶ The aid frame for 2018 amounts to approximately SEK 49.0 billion (see Table 1 for the size of the aid frame in recent years and in the immediate future).

In the report, EA 7 is termed the aid budget. Funding within the aid frame of aid activities in other expenditure areas is termed “deductions” and includes certain costs for hosting refugees in Sweden (under EA 8 Migration) and the Government Offices of Sweden’s administration costs for aid activities (within EA 1 Governance). Education and academic research (EA 16), Communications (EA 22) and Contribution to the European Union (EA 27) also include activities financed within the aid frame. In 2018 the aid budget amounts to just under 88 per cent of the aid frame.

How are deductions within the aid frame calculated?

Sweden follows the guidelines of the OECD’s Development Assistance Committee on which activities can be classed as official development assistance (ODA). Deductions are calculated in line with specific calculation models agreed by the ministries concerned within the DAC criteria.⁷ This makes it easier to prepare the budget each year. Given that the one per cent target is to be met, the size of the deductions will determine the size of the aid budget. Table 1 shows deductions from the aid frame for the years 2013 to 2018. In the exceptional year 2015 deductions amounted to over 28 per cent (SEK 11.4 billion) of the aid frame mainly due to extraordinary costs for asylum seekers.

Figure 2 shows Sweden’s ODA as a proportion of GNI according to outcomes (reported to OECD), the percentage of GNI accounted for by the aid frame and the percentage of the aid frame accounted for by the aid budget. During the period 2006 - 2015 there was a trend of increasing deductions from the aid frame. The share of deductions has thereafter gone down to lower levels.

The single largest item in the deductions over the last few years has been costs for hosting asylum seekers in Sweden (see Table 1). Note

⁶ The combined forecast for all variables is termed the macroeconomic analysis. The Economic Affairs Department at the Ministry of Finance is responsible for this analysis. Because the actual GNI normally differs from the forecast made in August of the year prior to the financial year in question, the actual outcome of the one per cent target also differs from the budget.

⁷ For example, the deduction for hosting asylum seekers is calculated in line with a model agreed by the Ministry for Foreign Affairs, the Ministry of Finance and the Ministry of Justice.

that the amount deducted from the aid frame is not necessarily the entire refugee cost that can be classified as ODA and hence is reported to DAC. Other reasons for differences between actual amounts reported to DAC and budget outcomes are a change in GNI figures and different accounting principles.⁸ In 2015 refugee costs amounting to more than SEK 20 billion were reported to DAC (Table 1). This meant that ODA in 2015 amounted to 1.4 per cent of GNI. Some years, the amount of ODA reported to DAC was less than one per cent of GNI.

Table 1. Aid frame, deductions and EA 7, 2013–2018

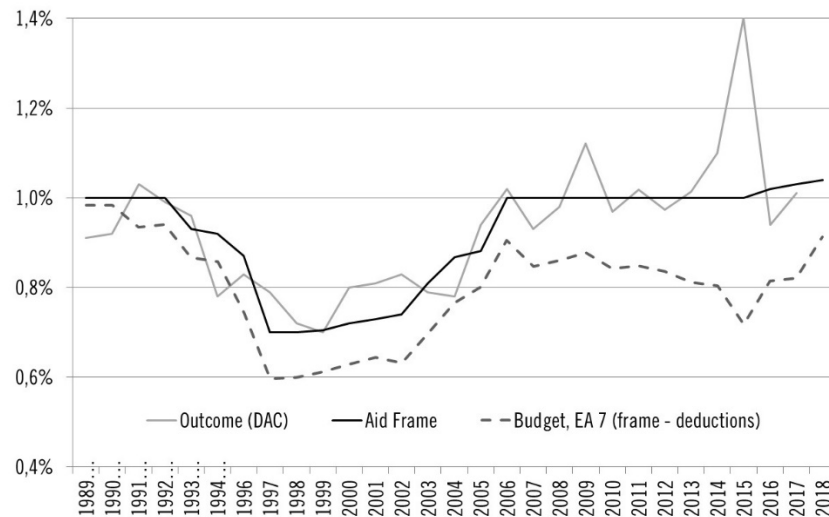
	2013	2014	2015	2016	2017	2018 ^f
Aid frame	38 157	38 370	40 445	43 366	46 129	48 950
Aid frame, % of calculated GNI	1.0%	1.0%	1.0%	1.02%	1.03%	1.04%
Costs under other EA (deductions)	7 160	7 508	11 422	8 715	9 361	5 972
Deductions, % of aid frame	18.8%	19.6%	28.2%	20.0%	20.3%	12.2%
<i>Of which deductions for:</i>						
Refugee costs	4 637	4 988	8 894	5 873	6 316	2 752
EU ODA	1 628	1 651	1 660	1 984	2 113	2 059
Foreign service admin. costs	461	463	444	448	451	416
Miscellaneous	434	406	424	410	481	745
Costs under EA 7 International development cooperation	30 997	30 862	29 280	34 651	36 768	42 978
<i>Total ODA reported to DAC</i>	<i>37 954</i>	<i>42 756</i>	<i>59 780</i>	<i>41 599</i>	<i>46 297</i>	
<i>- of which refugee costs</i>	<i>4 593</i>	<i>7 514</i>	<i>20 201</i>	<i>6 979</i>	<i>6 955</i>	

Note: Amounts are stated in SEK million. Total ODA reported to DAC is transformed from USD to SEK using the average exchange rate for each year. The aid frame refers to the frame decided in the respective budget, calculated in line with the GNI forecast available at the time. 2013–2017 refer to the final deductions including the spring and autumn amending budgets of the year in question, and 2018^f to calculations (forecasts) in the Budget Bill for 2018. The outcome for EA 7 in 2015 includes core contribution payments previously brought forward of just under SEK 2.5 billion, which means that the total of deductions and EA 7 is higher than the aid frame and all other things being equal the outcome for 2016 will be lower by a corresponding amount. The amount for EA 7 in 2016 reported here, however, is the indication presented in the Budget Bill. The 2016 Spring Fiscal Policy Bill contains proposals for additional deductions for hosting refugees of just over SEK 4 million, which means an appropriation for EA 7 of over 28 billion and a forecast of over 26 billion (due to the payments made in advance in 2015). A Government Decision on the Spring Fiscal Policy Bill will be made on 21 June 2016, and this information is therefore not included in the table. In addition to the costs stated, SEK 7 million per year (SEK 6 million in 2013) is included under EA 7 but not financed via the aid

⁸ Large contributions to multilateral financial institutions were reported to DAC as a total amount for the year in which the promissory note was issued, whereas the charge to the appropriation (budget outcome) comprises annual payments. See also EBA Report 2014:5, page 11.

frame and not defined as ODA. The proportion of GNI is stated in line with ESA 1995 and is equivalent to 0.96% for 2015 and 0.98% for 2016–2018 in line with ENS 2010. Source: Budget Bills for 2015 and 2016, Central Government Annual Report 2015, OECD online data (stats.oecd.org, 26.4.2016).

Figure 2. Sweden's ODA as a percentage of GNI, 1990–2018



Source: OECD/DAC IDS online table DAC1 (actual figures 1990–2015), central government budget for the respective year (budget 1990–2016), Spring amending budget 2016. Note: The percentage of GNI earmarked for ODA refers to the aid frame decided as a proportion of the calculated GNI in the respective budget. For the budget ranges, the years 1989–2015 refer to the budget outcome and 2016 to the Government's proposals in the 2016 Budget Bill and the spring amending budget for 2016. Up to 1996 inclusive, the central government budget operated a split financial year (1996 is recalculated from an 18-month financial year). Percentage of GNI in line with ENS 1995.

Costs of hosting asylum seekers

From 1991 onwards, the Swedish aid frame has included certain costs for hosting asylum seekers in Sweden, provided that the asylum seekers come from low- or middle-income countries (listed by OECD/DAC), for a maximum of a year.⁹ Since 1991 this deduction has varied between 4.3 per cent (2006) and 22 per cent (2015) as a proportion of the aid frame. According to a Government agreement in November 2015,

⁹ For alternative ways of calculating the costs of hosting refugees in line with DAC guidelines, see Landin (2013).

refugee costs were to be capped at 30 per cent of the aid frame for 2016. The actual outcome turned out to be 13,5 per cent for that year. In the 2018 budget, these costs amount to 5,6 per cent of the aid frame (Table 1).

Costs of hosting asylum seekers are included under EA 8 *Migration*. The deductions are calculated according to a model designed by the Ministry of Justice, the Ministry for Foreign Affairs and the Ministry of Finance, which means that the size of the deductions is normally not subject to negotiation in the budget processes (a description of how the costs are calculated is provided in the respective Budget Bill). The Ministry of Justice draws up the deduction amount on the basis of information from the Swedish Migration Agency.

Like other agencies, the Swedish Migration Agency has to submit forecasts four to five times a year. The forecasts are to be forward-looking and cover four years. There is uncertainty regarding the number of asylum seekers, which can lead to the forecasts being substantially revised over the course of a year.¹⁰ If the number of asylum seekers, and thus hosting costs, increases considerably, this may mean that certain appropriations within EA 8 *Migration* need an injection of additional funds during the year. This is discussed in the section on amending budgets.

Under the OECD/DAC regulation, costs for hosting asylum seekers may be counted as ODA during their first 12 months in a hosting OECD country. However, OECD member countries apply this principle differently. Four countries include costs incurred only before the decision to grant or reject asylum is taken. Sweden belongs to a larger group of countries that include costs also after the decision point. However, some of the latter countries, among them Sweden, exclude costs for rejected asylum seekers. Interpretations of what kinds of costs to include also varies across OECD member countries. Food and shelter, travel costs and parts of the administrative costs are included in Sweden's calculations.¹¹

¹⁰ The Swedish Migration Agency uses a model that they term "The migrant's journey" which examines surrounding factors in six stages: the situation in the country, in the region, potential routes to Europe, EU legislation and rules, the situation in individual EU countries, and finally Swedish law and rules, such as rules on family immigration, which may affect whether refugees choose to come alone to be reunited with their families at a later date or whether they choose to travel with the whole family.

¹¹ A review of the Swedish asylum cost calculation system is undertaken, and a new model will be used in the future (Budget Bill, 2018, EA 7, p.11).

Due to a rapid increase in costs for asylum seekers across the OECD in 2014 and 2015, the OECD/DAC appointed in early 2016 a Temporary Working Group on Refugees and Migration. This group has clarified the interpretation of existing principles and worked to improve coordination of asylum cost calculations across member countries. The formal guiding principles have however not been changed.

Other deductions from the aid frame

The costs of EU collective ODA are part of the EU's regular budget. This assistance is thus included in Sweden's contribution to the EU. In technical budget terms, Sweden's share of EU ODA is funded as a deduction from the aid frame for EA 27 *Contribution to the European Union*. The deduction is based on the actual figures from two years previously. The deduction in the Budget Bill for 2018 amounts to SEK 2.1 billion, the actual figures for 2016.¹²

The foreign service's costs for administering aid are included in the Government Offices of Sweden's administrative appropriation under EA 1 *Governance*. This deduction includes the cost of the MFA personnel (in Sweden and abroad) who work on aid-related issues and the proportion allocated to aid for offices, IT solutions, etc. at both foreign missions and the MFA itself.¹³ The cost is calculated by the MFA on the basis of an assessment of how high a proportion of the respective MFA unit's and foreign mission's costs can be attributed to aid activity (MFA, 2012). The actual figures for two years previously are used as a base. The deduction for 2018 amounts to SEK 416 million, which is equivalent to approximately one per cent of the aid frame and at the same level as in previous years.

Other deductions (SEK 745 million in total in 2018) include administrative costs for the Swedish Civil Contingencies Agency under EA 6 (Defence and contingency measures).¹⁴ This also includes some membership fees to UN and other international organisations, whose activities are partly or fully aid-related. A deciding factor for inclusion

¹² ODA via the EU also includes a contribution to the European Development Fund (EDF). These contributions are paid via the aid budget (appropriation 1:1, budget line 31).

¹³ Note that this is costs in addition to the administrative costs within foreign missions that are invoiced to Sida.

¹⁴ The Swedish Civil Contingencies Agency's international operations are mainly financed from the humanitarian assistance appropriation managed by Sida.

in the aid frame is the percentage of the contribution that can be counted as ODA. Sweden follows DAC's guidelines in this regard.¹⁵ Grants to fee-paying students from countries receiving ODA (Swedish Council for Higher Education, EA 16) and for academic partnership programmes (Swedish Institute, EA 5) are also deducted.¹⁶

The Government's Budget Bill

The Government's overall work on the budget is coordinated by the Ministry of Finance's budget department (Fi-BA). Fi-BA and the MFA are in constant contact regarding EA 7. At the MFA, the Department for International Development Cooperation (UD-IU, previously UD-USTYR) coordinates the expenditure area and produces a draft budget for EA 7 based on proposals from other MFA departments and the budget documentation from the agencies organised under MFA.¹⁷

The work of preparing the budget bill is a long process. In May each year, the ministries send Fi-BA their framework preparation documentation containing proposed administrative appropriations and allocation at budget line level. The proposals from the ministries are based on the macroeconomic analysis produced by the Ministry of Finance at the start of the year and the budget documentation from the agencies, which is submitted to the Government Offices of Sweden in March. Once a new macroeconomic analysis is obtained in August, UD-IU sends a final allocation at budget line level to Fi-BA and the Prime Minister's Office's Policy Coordination Secretariat (SB-SAM). In September, the entire Budget Bill is sent out for review and

¹⁵ UN organisation, percentages according to the OECD/DAC guidelines, and responsible body in 2018: UNDPKO (15%, Ministry for Foreign Affairs), WHO (76%, Ministry of Health and Social Affairs), UNEP (100%, Ministry of the Environment and Energy), UNO (18%, Ministry for Foreign Affairs), FAO (51%, Ministry for Rural Affairs), UNESCO (60%, Ministry of Education and Research), ILO (60%, Ministry of Employment), UNIDO (100%, Ministry of Enterprise and Innovation), IAEA (33%, Ministry of the Environment and Energy), ITU (18%, Swedish Post and Telecom Authority), UPU (16%, Swedish Post and Telecom Authority), WMO (4%, Swedish Meteorological and Hydrological Institute, SMHI), WIPO (3%, Ministry of Enterprise and Innovation), UNCTAD (100%, Ministry of Enterprise and Innovation). Other international organisation, percentage and responsible body for core budget-like support in 2018: WMU (100%, Ministry of Enterprise and Innovation), IAEA-TCF (100%, Ministry of the Environment and Energy), IUCN (100%, Ministry of the Environment and Energy), CITES (100%, Ministry of the Environment and Energy), OSCE (74%, Ministry for Foreign Affairs).

¹⁶ Debt cancellation in line with OECD DAC guidelines is also deducted from the aid frame where appropriate. The last time such a deduction occurred was in 2012.

¹⁷ Agencies under the Ministry of Justice, including the Swedish Police Authority, the Swedish Prosecution Authority and the Swedish National Courts Administration, also submit budget documentation to MFA regarding their ODA activity.

consultation to all Government ministers and certain civil servants at the Government Offices of Sweden. Internal preparatory work with the concerned departments at the MFA takes place at every stage, and each stage is confirmed with the political leadership. A final budget proposal (the Budget Bill) is then negotiated within the Government, and is subsequently submitted to the Riksdag for debate and a decision.

The draft budget for EA 7 contains proposed size of the aid frame, appropriations and appropriation purposes for the coming year, together with calculations for the following three years. It also contains proposed authorisation frameworks, i.e. the maximum levels that current and future financial commitments may amount to. The MFA calculates this ceiling based on the Government's multi-annual support to different organisations (e.g. top-up decisions) and the leeway that Sida considers necessary in order to enter into multi-year agreements. The Budget Bill also contains a proposal to authorise the Government to impose upon the State the payment responsibility for guarantees up to a certain maximum amount.

Aid activities carried out by the Swedish National Audit Office (which is an agency under the Riksdag) is reported separately in the Budget Bill for EA 7.

The parliamentary process regarding the aid budget

The Riksdag considers the Budget Bill in two stages. First, what are known as framework decisions are taken to determine the size of the respective expenditure areas (usually in November). Then the draft budget for each expenditure area is considered by the respective parliamentary committee. EA 7 is considered by the Committee on Foreign Affairs (UU), which may propose redistribution within and between appropriations.¹⁸ In this step, once the framework decision has been taken, no new funds can be allocated to an expenditure area, they can only be reduced or redistributed.

The extent to which the Government's Budget Bill and the Committee on Foreign Affairs' proposals differ largely depends on the parliamentary situation, and the Governments ability to find parliamentary support.

¹⁸ No redistribution takes place within appropriations even if this is possible, see e.g. the argument in the Committee on Foreign Affairs report 2015/16:UU2, page 21.

Amending budgets: spring and autumn amending budgets

The Government may submit a bill proposing amendments to the central government budget during the financial year. This process does not differ from the process for the Budget Bill and the same financing principles apply.¹⁹ Unless special grounds apply, such amending budgets may only be submitted on two occasions per year, thus in conjunction with the Spring Fiscal Policy Bill and with the Budget Bill (Chapter 9, Art. 6 of the Riksdag Act). Such special grounds may be significant and unpredicted increases in expenditure and these may be founded on incorrect or amended grounds for calculating the appropriation.²⁰ Usually, the Government uses reallocations within the expenditure area to finance proposals in its amending budget.²¹

In recent years, the amendments within EA 7 have concerned meeting higher as well as lowered costs for asylum seekers in Sweden (spring 2014, spring 2015, spring 2016); Changing Sida's administrative appropriation due to fluctuations of the Swedish krona (spring 2014, spring 2016) and Raising the Government's authorisation framework to enable Sida to sign larger agreements due to increasing aid volumes (spring 2014). Amendments have also concerned new commitments on topping up the UN's Green Climate Fund (autumn 2014)²² as well as capital increases of a number of development banks.

Sudden budget cuts may have important implementation effects. However, because the Riksdag makes decisions at appropriation level, no further details are specified by the Government as to which operations (which budget lines) are affected or what effects the amendment is expected to have. Instead it is stated more generally that the reductions "are judged to affect the activities financed from the appropriations to a certain extent" (Government Bill 2014/15:99, page

¹⁹ The financing principles include the fact that the ceilings for the expenditure areas are binding and that increases in expenditure are financed by reductions in expenditure. See e.g. Swedish National Audit Office report RiR (2008:17) for an overview.

²⁰ One such amending budget, which did not, however, affect aid, was submitted in November 2015. It mainly contained loan-funded temporary support to municipalities and county councils (EA 25) for 2015 (Government Bill 2015/16:47).

²¹ Other alternatives in what is known as the funding schedule (RiR 2008:17) are increased appropriation credit, reallocation between appropriations within the expenditure area and reallocation between the expenditure areas within or between the ministries' expenditure areas.

²² The Swedish National Audit Office's examination of the Government's handling of the supplementary budget from 1999–2008 shows that EA 7, with a total of fewer than 20 proposed amendments, lay in the lower quintile in terms of the number of proposed amendments to appropriations (RiR 2008:17).

82), or that “the Government seeks to distribute the reduction in appropriations across several different budget lines to reduce the risk of negative impact on aid. Gender equality work in development cooperation is a priority” (Government Bill 2015/16:99, page 27).

The most recent reduction in appropriation 1:1 *Development cooperation*, in 2014, was mainly financed through budget lines 30 and 31 on multilateral development cooperation (see the section on Aid within the Government Offices of Sweden for discussion of these lines). In total, the core contribution to the UN’s funds and programmes was reduced by SEK 550 million (RiR 2014:24). Agreements entered into were taken into account before each decision to reduce the appropriations was reached. Another assessment criterion was the effectiveness of respective organisation to deliver results in terms of poverty reduction. Reduced core contributions were held to imply the lowest possible negative direct effect on poverty reduction. The existence of core contributions from other donors were also considered.²³

In the following, rights of decision and rights of use for funds under the development cooperation appropriation are addressed for each actor separately. The section seeks to survey at what level of detail aid funding is governed by the respective actor.

²³ A similar reallocation was carried out in 2013, in which all core contributions to multilateral organisations that were not subject to a legally binding agreement were reduced by the same percentage (interview, MFA, 3.9.2015).

Decisions made by the Riksdag

As stated above, financial power rests with the Riksdag. The State's funds must be used as decided by the Riksdag and in accordance with the Instrument of Government. This regulation authorises the Riksdag to specify either in detail how appropriations are to be used, or give the Government ample powers to decide on the use of funds. Today's practice is that the Riksdag decides on the aid frame and the aid budget and consequently the leeway for deductions, but transfers responsibility for implementing the budget to the Government.

Allocation of funds from the Riksdag to the Government

The Riksdag allocates funds to the Government at appropriation level.²⁴ The 2018 aid budget contains six appropriations (table 2), where appropriation 1:5 refers to the Riksdag agency the Swedish National Audit Office (and thus is not allocated to the Government).

The Government's proposed purpose of each individual appropriation are set out in the Budget Bill. The Riksdag's decision on the purpose of appropriation 1:1 *Development cooperation*, states how great a proportion may be spent on administrative expenses.²⁵ Furthermore, the Riksdag decides on the size and purpose of appropriations 1:2–1:4 (administrative costs of the respective agencies), appropriation 1:5 ("may be used for expenses for the Swedish National Audit Office's international development cooperation", Government Bill 2017/18:1, EA 7, page 66) and 1:6 (EBA's activity including administrative costs).²⁶ The Riksdag thus decides an upper limit for how much of the aid budget is to be spent on administrative costs.

²⁴ Chapter 9 of the Instrument of Government (Financial power) states that assets of the State are at the disposal of and administered by the Government, in so far as these are not intended for agencies under the Riksdag or been set aside in law for special administration. It also states that the Government may not take up loans or otherwise assume financial obligations on behalf of the State unless authorised by the Riksdag.

²⁵ "The appropriation may be used for international aid. [...] The appropriation may also be used for administrative expenses, which are estimated to amount to approximately SEK 155 million, at agencies that carry out international aid" (Government Bill 2015/16:1, EA 7, page 60).

²⁶ The MFA's administrative costs for aid activity at the MFA and foreign missions are charged to the Government Offices of Sweden's appropriation (appropriation 4.1 under EA 1, see the section on deductions within the aid frame).

Table 2. Expenditure per appropriation, EA 7, 2016–2018 (SEK million)

Appropriation	BB2016	O2016	BB2017	F2017	BB2018
1:1 Development cooperation	31 121	30 723	35 483	35 437	41 606
1:2 Sida	1 050	1 071	1 103	1 130	1 171
1:3 Nordic Africa Institute	14	14	15	15	16
1:4 Folke Bernadotte Academy	105	103	107	109	124
1:5 Swedish National Audit Office:					
International Development cooperation	50	46	50	49	50
1:6 Evaluation of international development cooperation	16	14	16	15	18
Total	31 831	31 971	36 775	36 754	42 985

Notes: BB = Budget Bill, O = outcome, F = forecast.

The Government decides how the appropriations are to be allocated to budget lines.²⁷ However, the Budget Bill for EA 7 usually contains an indicative allocation of appropriation 1:1 *Development cooperation* to budget lines (e.g. Government Bill 2017/18:1, EA 7, pages 58-59) indicating how the political priorities, as expressed in the Budget Bill, are to be implemented. As a rule, the Government seems to keep to this indicative allocation; the appropriation directions for Sida for 2018 contain 16 budget lines amounting to SEK 25 billion in total. In 2018, in addition to the MFA and Sida, 15 additional agencies have an indicative amount specified under appropriation 1:1: The Swedish Institute in Alexandria, The General Consulate in Istanbul, The Swedish Police Authority, the Swedish Prison and Probation Service, the Swedish Civil Contingencies Agency, the Swedish National Courts Administration, the Folke Bernadotte Academy, the Swedish Institute, the Nordic Africa Institute, the Swedish Radiation Safety Authority, the Legal, Financial and Administrative Services Agency, the Swedish Research Council, the Swedish National Debt Office and the National Board of Trade.²⁸

Through the commissioned authorisations, the Riksdag sets an upper limit for the Government for the financial multi-year agreements they can allow the agencies to enter into. In addition to the frame of outstanding commitments of SEK 82 billion in 2018, the Government was authorised to impose payment responsibility upon the State for guarantees for a maximum of SEK 12 billion. Table 3 shows the

²⁷ ESV (2011) defines appropriations as “funds in the central government budget that the Riksdag allocates for a specific purpose and for a specific time and which the Government disburses and allocates to an agency” and a budget line as “part of an appropriation that the Government decides on to steer the use of appropriations”.

²⁸ Budgeted funds under appropriation 1:1 for these 15 agencies amounted to SEK 1.6 billion, compared with the MFA’s over SEK 11 billion and Sida’s over SEK 19 billion.

authorisations received and proposed for 2014–2018 (excluding the guarantee facility).

In the Budget Bill, the Government sets out the needs it identifies to be able to make commitments over the span of several years. In the Budget Bill, the amount of new commitments for 2018 were estimated to just over SEK 27 billion. Out of these, new commitments decided on by the Government and the Government Offices of Sweden were estimated at approximately SEK 18 billion (to enter multi-year agreements with international organisations and topping up the Global Environment Fund) and by Sida at approximately SEK 9 billion (agreements on interventions that run over several years and are charged to different budget lines).

Table 3. Frame of outstanding financial commitments, EA 7, appropriation 1:1, 2014–2018 (SEK million)

	02014	02015	02016	F2017	B2018
Existing commitments	45 610	60 521	56 190	55 426	73 347
New commitments	30 244	12 997	16 019	34 754	27 353
Commitments met	-16 099	-16 902	-17 247	-16 832	-18 700
Outstanding commitments	60 521	56 190	55 426	73 347	82 000
Aid budget, EA 7	30 997	30 862	29 280	34 651	42 978
Authorisations received/proposed	69 221	71 071	77 000	74 350	82 000

Note: O=outcome, F=forecast, B=budget. Government agencies that manage authorisations under the development cooperation appropriation are the Government Offices of Sweden, Sida, the Swedish Institute, the Swedish Research Council and the Swedish Radiation Safety Authority. Sida's and the Government Offices of Sweden's shares jointly amount to more than 99 per cent of the authorisation framework. The guarantee facility of SEK 12 billion is not included in the table, nor is the Swedish National Audit Office's authorisations within appropriation 1:5. Source: Budget Bills 2016–2018.

Appropriations for the Riksdag's government agencies

Of the Riksdag's three agencies (the Swedish National Audit Office, the Riksbank and the Parliamentary Ombudsman), the Swedish National Audit Office has its own appropriation in the aid budget.²⁹ According to the instructions for the agency, the Swedish National Audit Office is to conduct international development cooperation in

²⁹ The (limited) aid activity carried out by the two other agencies (the Riksbank in the form of expert help on central bank issues and the Parliamentary Ombudsman on certain human rights issues) is in project form and is funded by Sida.

line with decisions made by the Riksdag. For this appropriation it is the Swedish National Audit Office and not the Government that makes proposals to the Riksdag in the Budget Bill. In 2018 the Riksdag assigned SEK 50 million in appropriations to the Swedish National Audit Office (appropriation 1:5).

To what extent is aid tied over time?

The size of the Swedish aid frame (the one per cent target) is a unilateral political commitment that is not legally binding. The same applies to the target of 0.7 per cent of GNI adopted by the UN General Assembly in 1970 (UN 1970, paragraph 43).³⁰

Every year, the Riksdag makes decisions on the size of the aid frame and the aid budget. In making its decisions, the Riksdag is free not to take into account the Government's strategies or agreements entered into, despite having previously given the Government the facility to do so.³¹ Thus the Riksdag can decide extensive changes within the expenditure area from one year to the next, although in practice the consequences of such decisions are a limiting factor.

The opportunity to enter into multi-year agreements is essential to effectively carrying out aid operations. Being able to make promises regarding future financial commitments is also an important instrument in promoting Swedish aid policy priorities in international organisations and forums. The opportunity to tie up funds over several years requires the Riksdag to authorise the Government to make decisions on contributions that incur a need for future appropriations.

For 2018, existing commitments (which are to be met during 2018 or later) are calculated to amount to more than SEK 73 billion. This means that funds that far exceed total expenditure available for EA 7 are tied up in future disbursements. This limits the Riksdag's scope to make radical changes to a year's aid budget, although agreements can be broken if necessary or desirable.

³⁰ The size of the target originates from an estimate of 0.75% of GNI made by economist Jan Tinbergen in 1964, based on needs of capital inflow to developing countries to attain an acceptable growth rate (DAC, 2002).

³¹ Government agencies that manage authorisations under EA 7 include the Government Offices of Sweden, Sida, the Swedish Institute, the Swedish Research Council, The Nordic Africa Institute and the Swedish Radiation Safety Authority (Government Bill 2017/18:1, EA 7, page 60).

As shown in Table 3, the amount of outstanding commitments for multi-year interventions has increased year on year and in 2018 is estimated to be more than twice the amount in 2012 (from SEK 38 billion to SEK 82 billion). There is also a marked increase in relation to the aid budget.

Multi-year top-ups of development funds and contributions to international organisations create variation in the Government Offices' commitments. Sida's commitments depend on the strategies in force and in what phase they are. However, it is unlikely that this can explain the increasing trend.³²

³² Guarantees issued by Sida are not included in these authorisations, such that the increase cannot be explained by increased use of this instrument either.

Decisions made by the Government

As shown in the preceding section, the Riksdag decides how much flexibility the Government has by choosing the level of detail of the conditions when allocating funds to the Government to implement the budget.

In its turn, the Government as a rule chooses to allocate rights of decision and rights of use regarding budget lines to one or more government agencies. The Government can also choose to allocate the rights of use but not the right of decision, i.e. the funds may only be spent following a special decision by the Government.

According to the Budget Act (2011:203, sections 11 and 12) the Government may impose special conditions (financial and for operations in general) for the appropriation when granting an agency rights of decision or rights of use. The Act also allows the Government to decide that funds allocated to an appropriation may not be used in the event of special circumstances in an operation or for reasons of central government finance. Conditions governing the use of funds are set out in the annual *appropriation directions* for each agency. Draft appropriation directions for the year ahead are drawn up by the Government Offices of Sweden (in dialogue with the government agencies). The Government decides on the appropriation directions in December.

The Government can also authorise the Government Offices, in the capacity of a government agency, manage an appropriation or parts thereof. The head of the MFA (the Minister for Foreign Affairs) may assign the right to make decisions on funds to another minister or to a civil servant at the Government Offices of Sweden (UD-USTYR, 2014). The Minister for Foreign Affairs thus delegates the right of decision to the Minister for International Development Cooperation and Climate on issues regarding international development cooperation. Other Ministers (e.g. the Minister for the Environment) can be delegated funds under EA 7. The Ministers then assign the right of decision and right of use to civil servants in the respective ministry (see also that stated regarding Table 9 on aid within the Government Offices of Sweden). Rights of decision and use assigned to the Government Offices of Sweden in 2018 are shown in the lower part of Table 4. In addition, the Government Offices of Sweden had rights of decision for budget lines 30 *Multilateral development banks, funds and*

debt relief, 31 Multilateral and international organisations and funds and 33 Strategically directed contributions amounting to a total of almost SEK 11 billion, but the rights of use are delegated to Sida, which means that Sida makes the disbursements and the appropriations are included in the appropriation directions for Sida.³³

³³ In Sida's instructions, this is worded such that for certain funds that the Government or the Government Offices of Sweden decides on, Sida is to "carry out on behalf of the Government Offices of Sweden certain administrative control elements regarding managing grants, practically managing disbursements, repayments and demands for repayment, and be responsible for effective currency management in its area of operations". The appropriation directions for the budget lines state that "Funds are disbursed in line with the decisions made by the Government or the Government Offices of Sweden".

Table 4. Rights of decision and use assigned to Sida and the Government Offices of Sweden, 2018 (SEK million)

Managed by the Swedish International Development Cooperation Agency		39 918
Appropriation 1:1 Development cooperation		
line 1	Humanitarian interventions	4 150
line 2	Information and communication activity	150
line 5	Support through Swedish civil society organisations	1 825
line 6	Asia	2 150
line 7	Latin America	650
line 9	Africa	6 800
line 13	Special human rights and democracy interventions	910
line 17	Middle East and North Africa	1 300
line 23	Reform cooperation with Eastern Europe, the Western Balkans and Turkey	1 340
line 26	Global interventions for human security	415
line 28	Capacity building and Agenda 2030	670
line 30	Multilateral development banks, funds and debt relief	3 550
line 31	Multilateral and international organisations and funds	5 929
line 32	Research cooperation	920
line 33	Strategically directed contributions	1 268
Line 34	Sustainable development	3 520
Appropriation 1:2 Sida		
line 1	Sida (administration)	1 199
Managed by the Government Offices of Sweden/MFA		71.6
Appropriation 1:1 Development cooperation		
line 29	Global development cooperation	71.6
line 29.2	Conferences, seminars, inquiries and projects	48
line 29.3	Swedish Institute Alexandria	16.6
line 29.6	Section for Turkish-Swedish cooperation, Consulate General in Istanbul	7

Note: Budget lines 30, 31 and 33 refer to right of use (right of decision rests with the Government Offices of Sweden).

Source: Appropriation directions 2018, Swedish National Financial Management Authority register of appropriations

An agency may exceed an appropriation that mainly refers to administrative expenses by three per cent of the amount allocated. Otherwise the Government decides on the amount of appropriation credit and this is specified for each budget line in the appropriation directions for the agency. For example, Sida was granted a total appropriation credit for 2018 of SEK 1.5 billion (three per cent of the appropriation).

Table 5. Rights of decision and use assigned to other agencies, appropriation 1:1 *Development cooperation*, 2018 (SEK million)

Managed by the Swedish Police Authority		173.2
line 12	International civil emergency management – part for the Swedish Police Authority	187
Managed by the Swedish Radiation Safety Authority		15
line 22	Nuclear safety and radiation protection in Eastern Europe	15
Managed by the Swedish Research Council		170
line 40	Development research – part for the Swedish Research Council	170
Managed by the Swedish National Debt Office		2.71
line 3	Guarantee fees	2.71
Managed by the Swedish Civil Contingencies Agency		56
line 41	International civil emergency management – part for the Swedish Civil Contingencies Agency	56
Managed by the Swedish National Courts Administration		7.6
line 43	International civil emergency management – part for the Swedish National Courts Administration	7.6
Managed by the Swedish Prosecution Authority		7.4
line 44	International civil emergency management – part for the Swedish Prosecution Authority	7.4
Managed by the Swedish Prison and Probation Service		36
line 20	International civil emergency management – part for the Swedish Prison and Probation Service	36
Managed by the Legal, Financial and Administrative Services Agency		663
line 18	Swedpartnership: Aid for small and medium-sized enterprises.	20
line 19	Swedpartnership: Administration costs	4
line 24	Swedfund: technical cooperation	19
line 25	Swedfund: Support to feasibility studies in ODA countries	20
line 27	Swedfund: Capital	600
Managed by the Folke Bernadotte Academy (FBA)		154
line 4	Development cooperation	70
line 42	International civil emergency management – part for FBA	84
Managed by the Nordic Africa Institute		16
line 8	Action grants	16
Managed by the Swedish Institute		238.3
line 11	Exchanges and partnerships with ODA countries	204.3
line 21	Reform cooperation with Eastern Europe, the Western Balkans and Turkey	34

Source: Appropriation directions 2018, Swedish National Financial Management Authority register of appropriations

It is also possible, within certain limits, to transfer unused funds from the previous financial year to the current financial year, known as appropriation savings. According to the Budget Act (2011:203, Chapter 3, section 10) and the Appropriations Ordinance (2011:223, section 7) unused appropriations (appropriation savings) may be used at the latest two years after the appropriation was last entered in the central government budget. For appropriations other than those for administrative expenditure, an agency is only allowed to spend an appropriation credit if this is specifically stated in the Government's appropriation directions for the year in question. For budget lines that predominantly refer to administrative costs, a maximum of three per cent may be used as appropriation credit.

Conditions in Sida's appropriation directions³⁴

The appropriation directions set out different financial conditions linked to the various budget lines. One general condition in Sida's appropriation directions is that funds under appropriation 1:1 *Development cooperation* may only be used in line with OECD/DAC's guidelines for what can be classified as ODA.

Conditions are either set through specific instructions regarding individual budget lines, or by linking the different budget lines to specific *strategies* for countries, regions, thematic areas and multilateral organisations. These strategies are decided by the Government.³⁵ The level of detail in the strategies, as well as their names, have varied over time.³⁶ This report only uses the term *strategy* when no clarification is necessary in the context.

³⁴ As Sida is by far the largest agency within EA 7, Sida's appropriation directions are used as an example.

³⁵ The geographical unit at the MFA is the overarching agency for the production of country or regional strategies, while UD-IU is the overarching body for thematic strategies and UD-GA together with UD-FN for strategies for cooperation with/via multilateral organisations. As the strategies refer to steering the operations, they are not addressed in greater depth in this report.

³⁶ For example, in the 2000s, bilateral and regional strategies were named country or regional strategy, strategy, cooperation strategy and results strategy. The term "strategy" has been used since 2015. The results strategies decided on between 2013 and 2014 describe the expected results that the development cooperation is to achieve over a certain period at an overarching level. Only a few strategies have been decided on from 2015 onwards, but the impression is that these have become slightly more exhaustive.

The strategy period is normally five to seven years for country and regional strategies, and four years for thematic and multilateral strategies (UD-USTYR 2013a).

As a rule the strategies state either an appropriation amount for respective year or solely a total amount for the entire strategy period.³⁷ In its appropriation directions the Government gives Sida an opportunity to spend ten per cent more or less than the annual allocation of funds for a country or a region. A condition is that this is within the scope of the total amount for the strategy and within the scope of the budget line. For deviations greater than this, the Government Offices of Sweden must be consulted. For more recent strategies, annual disbursements of the funding allocation for the relevant budget line are limited and must be within the total amount for the strategy.

In most cases, the geographical budget lines finance several strategies. As a rule, the conditions under the budget line state “that the funds must be spent in line with applicable strategies or equivalent”, but additional spending conditions can also be imposed in the appropriation directions.

The financial conditions are stated using the terms maximum, approximate and minimum.³⁸ Table 6 is an extract from table 7.3.5 in Sida’s annual report for 2017 which lists the financial conditions for Sida’s proportion of appropriation 1:1. The conditions for the budget lines are usually stated in the form of a maximum amount but minimums are also found. For geographical strategies, the annual amounts are to be seen as approximate amounts thanks to the facility Sida has to spend more or less than these amounts.

Table 6. Conditions governing Sida's element of appropriation 1:1, 2017

line	Appropriation 7 1:1 Development cooperation (Sida)	Conditions Maximum/minimum	Financial conditions	Outcome 2017
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³⁷ In some cases, it is only stated that the strategy governs the use of the funds allocated in the appropriation directions.

³⁸ Similar wording is found in the strategies referring to the entire strategy period. Guidance in how the terms maximum/minimum/approximate can be used in appropriation directions is described in the internal guide “Appropriation directions and other steering documents” produced by the Ministry of Finance’s Budget Department.

	Method development, studies, evaluations etc. that can be funded within the respective budget line	Not steered by amount		84.2
	Sida may impose responsibility for payment on the State in the form of State guarantees for aid activities	Maximum	12 000	5 661.2
	Sida's own communication and information activities	Maximum	25	15.4
13	Special interventions for human rights and democracy in line with the strategy	Maximum	75	74.95
	Sida may use funds for its administration for support to non-ODA countries	Maximum	5	4.1
9	The Africa funding must be spent in line with current strategies or equivalent			
	Burkina Faso	Maximum	130	118.3
	Sudan	Maximum	90	79.8
	South Sudan	Maximum	120	99.8
	Zambia	+/- 10%	1 750	1 802.6
	Zimbabwe	Maximum	685	744.3
	Somalia	+/- 10%	1 500	1 743
6	The Asia funding must be spent in line with current strategies or equivalent			
	Burma /Myanmar	+/- 10 %	750	766

Note: Adapted from table 7.3.5, Sida's Annual Report 2017. The table does not account for conditions in the new results strategies, as these state amounts across the entire strategy period.

Conditions may be used where the Government wishes to see a particular focus in a strategy. For instance, the appropriation directions for Sida 2018 set the condition that at most SEK 75 million of Sida's support for human rights, democracy and rule of law be used according to the strategy for democracy support through party-affiliated Swedish organisations 2016-2020. Without these types of conditions, it is up to the agency to decide on the direction within the framework of the strategy. However, the agency has quite a high degree of freedom even with such conditions imposed.

The appropriation directions state appropriation credit and appropriation savings for each budget line. This increases flexibility when managing appropriations over time.³⁹ A Government decision is required to transfer funds between budget lines.

The Government may also decide that funds in a budget line must be used for a strategy that is linked to another budget line without moving funds between the budget lines. For example, as a rapid response to a West African Ebola epidemic in October 2014 the Government decided that up to SEK 230 million in budget line 9 was to

³⁹ The other agencies that are allocated funds under EA 7 have access to appropriation credit divided per budget line.

be used in accordance with the strategy for humanitarian assistance (which governs use of budget line 1).

Sida is granted authorisation framework per budget line to meet the need to enter into multi-year financial commitments. However, Sida has argued that the division at budget line level creates inflexibility and “leads to Sida’s opportunities to sign long-term agreements, to be predictable and to rapidly be able to reassign aid being limited” (Sida’s budget documentation 2015–2017, p. 36). On the other hand, a single authorisation framework for Sida would likely reduce the Government’s ability to steer funding to an equivalent extent.

The Government also limits the use of the authorisation framework by stating in the appropriation directions that Sida should avoid entering into larger and/or longer agreements towards the end of a strategy period. The target stated in the appropriation directions is that at least 50 and 75 per cent of the annual volume respectively must be unpledged one and two years respectively after the end of the strategy.⁴⁰ The whole average annual volume must be unpledged three years after the end of the strategy, with the exception of the strategy for capacity development.

Amendments to the appropriation directions

If the Government wants to change the use of ODA, the appropriation directions for the responsible agency are amended. It is common for appropriation directions to be amended four to five times a year to meet changed conditions during the year. The amendments can refer to financial and other conditions.

⁴⁰ The 50/75 limit was introduced with the appropriation directions in 2012 as part of the transition to results strategies.

Flexibility available to government agencies

The government agencies and the Government Offices of Sweden start their *operational planning* as soon as the proposals in the Budget Bill are known, i.e. before the budget is adopted by the Riksdag. The MFA's departments already start discussing operations with their foreign missions in August–September. Planned activities are then reviewed once the appropriation directions are finalised and an Operational Plan is adopted in January. Sida's work on its Operational Plan begins in September. The plan is decided in mid-December and is then reconciled with the appropriation directions when they arrive.⁴¹

Aid within the Government Offices of Sweden

Several of the MFA's units carry out development cooperation. Administrative costs within the ministry are judged to constitute ODA in line with a calculation model, as described in the Budget Bill 2018 (p 11f). Noticeable is that 11 different departments are financed with 10 per cent or more from the aid frame. Among these units are thematic units such as the Department for International Law, Human Rights and Treaty Law (UD FMR), Department for Conflict and Humanitarian Affairs (UD KH), but also geographical units such as the Africa and the America Departments. Geographical departments are financed to between 20 – 45 per cent from the aid frame, whereas departments specialized on aid, such as the Department for International Development Cooperation (UD-IU) is financed to 95 per cent.

The aid to multilateral development banks, funds and international organisations decided by the Government or Government Offices of Sweden amounts to approximately a third of total Swedish aid and refers to core contributions to the organisations.⁴² For 2018, this amount was

⁴¹ From the Operational Plan for 2014 onwards, Sida plans for three years ahead to make long-term planning of staffing and funding easier (Sida's Operational Plan instructions to departments, 2014).

⁴² In addition to the core contributions, support is disbursed to multilateral organisations via Sida's budget lines in the form of what is known as multi-bi support. These contributions are operation-related interventions in the form of support to particular thematic funds and

approximately SEK 13.9 billion, most of which is managed by the units for Global Agenda (UD-GA) and for the United Nations (UD-FN).

The Swedish Strategy for Multilateral Development Cooperation (UD17/21055/FN) describes how the prioritisation criteria for multilateral development cooperation, relevance and effectiveness, are to determine the size of contributions, and how greater effectiveness in a relevant organisation is to be rewarded with increased, non-earmarked, multi-year grants (Table 8). A more in-depth assessment of each organisation is conducted by civil servants at the Government Offices of Sweden at intervals of a few years. Organisational strategies are also to be drawn up with the Swedish priorities that are to be pursued on the board of the organisation in the mid to long term.⁴³ Before the annual payments are made, a shorter assessment is made in the budget documentation based on the annual report of the organisation and work on the board and in donor circles.

Table 8. The priority-setting principles for decisions on the size of core contributions and forms of financing

Enhanced effectiveness and relevant = increased contributions, non-earmarked and multi-year contributions	High effectiveness and relevant = unchanged contributions, non-earmarked and multi-year contributions
Low effectiveness but relevant = reduced contributions and short-term financing	Non-relevant = reduced contributions and possible phase-out

Source: Swedish Strategy for Multilateral Development Cooperation, UD 17/21055/FN

As the contributions involve commitments over several years, the Government needs authorisation from the Riksdag to enter into new commitments before top-up negotiations. The Riksdag decides on a total authorisation framework for appropriation 1:1, which gives the Government an upper limit for new commitments. In other words, the allocation of funding to different organisations or funds is not specified and this is up to the Government to decide. As a rule, the Swedish negotiators are given a ceiling for possible pledges on the level of core contributions decided in the final stages of the top-up negotiations. This gives the Swedish negotiating team a certain amount of flexibility

programmes. There is a culture of cooperation and consultation between the MFA, Sida and the foreign missions involved to ensure that Swedish priorities in the organisations' boards and support to the operations of these organisations are in line with each other.

⁴³ During 2018 a new strategy concerning UN Women has been adopted.

at the negotiating table (RiR 2014:24, p. 37).⁴⁴ Multilateral development cooperation can broadly be divided into four categories:

1. *Multi-year contributions to the development funds and development banks.* Swedish core contributions to the international development banks and development funds (the World Bank Group, the African Development Bank and Fund, the Asian Development Bank, the Inter-American Development Bank) primarily comprise top-ups of funds and financing of the banks' capital base. The Government makes top-up decisions every three years. These international commitments are decided by the Government and normally run over a period of nine years.⁴⁵
2. *Multi-year contributions to international organisations,* such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM), The Global Vaccine Alliance (GAVI) and the Global Environmental Facility (GEF). These organisations also have top-up rounds every three years.
3. *One-year contributions to the UN's funds and programmes.*
4. *Payment of Sweden's membership fees to UN specialised agencies.* The membership fees are paid by the respective specialist ministry where the ODA- proportion of operations is deducted from the aid frame (see the section on deductions).

As stated in the section on the Government's decisions, the Minister for International Development Cooperation and Climate can assign the right of decision to another Minister or to a civil servant at the Government Offices of Sweden (UD-USTYR, 2014). In practice, these delegations are given to nine heads of departments within the Foreign Ministry (both thematic and geographical departments) as well as the Minister for Finance (debt cancellation) and Minister of the Environment (strategically directed contributions). The right of decision also incorporates responsibility for decisions, monitoring and internal control of funds.⁴⁶ The delegation of budget line 31 are usually accompanied by indicative core contributions per organisation.

⁴⁴ The target documents for top-ups act as guidelines in top-up negotiations and are prepared by UD-MU, jointly processed within the Government Offices of Sweden and signed off by the aid policy leadership.

⁴⁵ This means that as a rule, funds are paid for three top-up rounds for the same bank in parallel (see figure 3, RiR 2014:24).

⁴⁶ Decision-making rules for the MFA's civil servants are set out in the rules of procedure for the MFA, UF (2009:5).

At the same time, in the respective appropriation directions for 2018, the Government has allocated the Legal, Financial and Administrative Services Agency (budget line 7 under EA 5) and Sida (budget lines 30, 31 and 33 under EA 7) right of use of the funds in these budget lines on condition that they may only be disbursed following a decision by the Government Offices of Sweden.⁴⁷ In 2015 it was decided that decisions on payments of core contributions to the multilateral organisations are to be made by the Government and that instructions on how the funds are to be spent are to be incorporated in the appropriation directions to Sida.⁴⁸

Aid within Sida

Through its appropriation directions, Sida is granted rights of decision and rights of use for the administrative appropriation (1:2) and for certain budget lines within appropriation 1:1. Sida is also given an authorisation ceiling for the respective budget line. In addition, Sida has the right to impose responsibility for payment on the State in the form of State guarantees for aid activities up to a ceiling of SEK 12 billion.

The use of funds for the budget lines under appropriation 1:1 *Development cooperation* is steered by the strategies. Table A2 (Appendix) shows a list of the budget lines included in Sida's element of appropriation 1:1 together with the strategies linked to the respective line.⁴⁹ Figure A1 provides a schematic diagram of Sida's organisation with areas of responsibility per department.

The rules of procedure set out the principles for delegating the right of decision over Sida's appropriations within Sida and to the heads of foreign missions (Table 10). One fundamental principle is that delegation is to be as far-reaching as possible and appropriate in a given

⁴⁷ See also the section on the Government's decisions.

⁴⁸ The text "Funds are disbursed in accordance with the decisions made by the Government Offices of Sweden" in the appropriation directions for Sida in 2014 has been replaced from 2015 onwards with the following: "Funds are disbursed in accordance with the decisions made by the Government or the Government Offices of Sweden (Ministry of Foreign Affairs)", specifying the organisations and amounts with reference to Government Decisions stated, and that other funds "are to be disbursed in accordance with the decisions made by the Government or the Government Offices of Sweden (Ministry of Foreign Affairs)".

⁴⁹ The rules of procedure contain more detailed regulations on the agency's organisation, the allocation of work between the Governing Board and the Director General, delegation of the right of decision within the agency, handling of casework and the forms operations take in general.

situation and context. Ahead of each delegation decision, the requirements for internal governance and control are set out and risks are to be taken into account and clarified. “Delegation decisions are to be made in procedures or as separate decisions. The delegation decision must state whether the right of decision may be delegated further” (Sida’s rules of procedure, section 3.2.1).⁵⁰

The directors of departments are responsible for delegating rights of decision and rights of use to heads of units and heads of foreign missions.⁵¹ The guarantee instrument is an exception. There is no facility to delegate guarantees to other departments, units or foreign missions. The right of decision for interventions within the limit always lies with the head of the Loans and Guarantees Unit (Partnerships and Innovations Department).

⁵⁰ Each organisational unit within Sida has a procedure that describes its organisation and ways of working (Sida’s rules of procedure, section 4.3).

⁵¹ The head of the foreign mission normally delegates this right further to the head of development cooperation at the foreign mission (see also the section on the flexibility available to foreign missions).

Table 10. Delegation of decision-making rights at Sida

Level	Decides on ...	For decision on funds ...
Governing Board	Rules of procedure Operational Plan including administrative budget Annual report and interim reports Budget documentation Internal governance and control and internal audit guidelines	For interventions > SEK 800 million or > SEK 250 million average per year, the DG is to consult the Governing Board if the issue is important enough for the Governing Board to decide on the intervention (e.g. budget support programmes). In other cases the DG is to inform the Governing Board at a board meeting.
Director General	The division into units within departments; employment of heads of staff, departments and units, and heads of development cooperation at foreign missions. Framework agreements with other Swedish agencies	Interventions > SEK 200 million Decisions on budget support (in cases where this is not to be decided by the Governing Board)
Deputy Director General	Amendments to the agency's administrative budget	
Department Directors	Enter into procedural agreements that set more detailed conditions on cooperation with a country, Enter into/amend cooperation agreements in line with relevant strategies	Interventions < SEK 200 million or interventions of specific character. Final authorisation before disbursement of budget funds
Unit Directors		Interventions where the amount is less than SEK 80 million
Heads of Foreign Missions		Interventions where the amount is less than SEK 80 million ²

Note: This right of decision is "normally fully or partially delegated further" by the head of the foreign mission "to a head of development cooperation stationed at the foreign mission by Sida" (UD-PLAN, 2014). Source: Sida's rules of procedure 2014 and the intervention management system for 2014.

During a sample year, 2014, the authorisation ceiling for head of unit and head of foreign mission level was SEK 50 million. Total disbursements amounted to just under SEK 19.3 billion allocated across 4 317 disbursement decisions. Of these decisions, 4 252 were taken at head of unit level or by the head of the foreign mission/head of development cooperation and amounted to a total of SEK 13.5 billion. The remaining SEK 5.8 billion was paid out following a total of 65 decisions by department directors or the Director General. This gives the impression that Sida is fulfilling its ambition in its rules of procedure for far-reaching delegation. During 2018, the authorisation ceiling for head of foreign mission / head of unit level was raised to SEK 80 million.

The facility for deviation of ten percent from annual strategy amounts gives Sida a certain amount of flexibility in how funds are allocated in individual years. Department directors (in line with the delegation rules) are able to adjust and reallocate funds during the year (e.g. between countries on the same continent) within the scope of the respective (annual) budget line, as long as the changes do not result in exceeding the total (multi-year) amount allocated to the strategy. The geographical and thematic results strategies decided from 2013 onwards also mean greater flexibility, as the condition is that use may deviate by a maximum of ten per cent from the total amount for the strategy within the framework of the funds allocated to the relevant budget line.

As stated earlier, the Government limits the proportion of pledged funds at the end of the strategy period. 50, 75 and 100 per cent respectively of an average annual volume must be unpledged one, two and three years respectively after the strategy ends. The reason is that the Government wants to be able to put new priorities in place rapidly. When there is a transition to a new strategy, the intervention portfolio must be able to match new strategic priorities as soon as possible. This requires a well planned transition between strategy periods. It happens that decisions on new strategies are delayed, as for instance in both 2013 and 2014 (country, regional and thematic strategies). During transitional phases, the older strategies are extended one year at a time. In 2014, the effect of this was visible through shorter interventions. The average length of agreements entered into in 2014 was 41 months, which can be compared with 42 months in 2013, and an average of 45 months in 2012 (Sida Annual Report 2014). The shortened planning horizon also affects agreement volumes. Sida takes the view that this has led to less of a long-term approach in internal operational planning (Sida Annual Report 2014, page 86). Where no new strategy is in place,

Sida has delayed entering into new agreements for new interventions until the new strategic priorities have been decided. During 2015 – 2018 a number of new strategies have been decided by the Government hence this is currently less of a concern.

Sida's opportunity to grant loans and independent guarantees is governed by two ordinances: Ordinance (2009:320) on financing development loans and development cooperation guarantees and Ordinance (2011:211) on lending and guarantees. All guarantees must be issued against risk-reflective premiums corresponding to the financial risk incurred by the State for the commitment and the administrative costs of the guarantee. Sida has the right to subsidise premiums. In such cases, the subsidy must be charged to an aid appropriation. At the end of 2017 approximately SEK 3.2 billion remained unused below the ceiling. In the event of damage (i.e. the guarantee is called in) the payment must be financed by the guarantee reserve (liquid funds in the form of premiums paid in). If the guarantee reserve is insufficient, the appropriation directions contain the condition "SPECIAL" under "Other credit limits", which is unlimited credit to meet guarantees made by Sida. Sida must inform the Government Offices of Sweden (the MFA and the Ministry of Finance) before this credit is used. This credit has never yet been used.

Delegation within other aid agencies

At the expense of a lack of completeness, this survey does not present any delegation systems or internal rules of procedure for the other agencies that conduct aid activity under EA 7. These agencies do not delegate to foreign missions and have their own rights of decision in terms of presence in the field. Compared with the funds managed by the Government Offices of Sweden and Sida, the volume of operations is relatively small.

Flexibility available to foreign missions

The foreign missions have a special role in delivering aid, as in organisational terms they constitute the final State nodes for much of the aid activity carried out in the field.

Allocation of responsibilities between Sida and MFA staff at the embassies.

The operations of the foreign missions are regulated in the Ordinance (2014:115) on instructions to foreign missions. This lays down that foreign missions are directly subordinate to the Government Offices of Sweden. The Government appoints the head of foreign missions. In the case of integrated embassies (see below), the Government's appointment is preceded by consultation with the Director General of Sida. Other staff working at foreign missions may be posted there by the Government or the Government Offices of Sweden, employed and posted there by Sida or another Swedish government agency, or locally employed or hired by the foreign mission.

The ordinance grants Sida the right to instruct foreign missions on matters concerning development cooperation. In countries with which Sweden conducts bilateral development cooperation, the foreign mission shall "at the request of Sida take the measures that derive from agreements between Sweden and the country of operation or that otherwise fall within Sida's area of authority. The foreign missions are also to provide Sida on request with information that Sida needs to carry out its operations. Where necessary, the foreign missions are also to assist other agencies charged with carrying out aid activity in the country" (Ordinance on instructions to foreign missions, 2014:115, section 8).⁵² In order to manage this in practice, Sida has staff working on aid operations posted at foreign missions (the highest ranking person at the foreign mission employed by Sida is termed "Head of Development Cooperation" or "Counsellor Development Cooperation"). This is particularly relevant since Sida and the funds that Sida manages are governed by the Swedish Government Agencies

⁵² Sida only has the right of instruction in cases where there is a strategy in place for the country in question. When it comes to conducting interventions in countries without a strategy (e.g. through thematic or regional strategies) Sida thus does not have the right to instruct foreign missions.

Ordinance, the Appropriations Ordinance, the Ordinance on annual reports and budget documentation, the Internal Audit Ordinance and the Ordinance on internal management and control – ordinances that do not cover foreign missions.

Since 2004, the MFA and Sida have been operating through what are known as integrated foreign missions in line with an administrative agreement between the Government Offices/MFA and Sida regarding administrative consultation and cost sharing at foreign missions conducting development cooperation (MFA-Sida, 2017). Rules of procedure, rights of use and employer liability, etc. are regulated in a joint paper between Sida and the foreign missions that carry out development cooperation (UD-PLAN, 2018). This describes cooperation between the head of the foreign mission and Sida's staff in the field and in Stockholm, including the fact that the head of the foreign mission always has overall responsibility and that they can delegate questions regarding development cooperation and aid funding to the head of development cooperation at the foreign mission. Delegation is thus not compulsory but tends to happen as a rule.⁵³ The delegation arrangements are specified in the rules of procedure for the specific foreign mission.

How much flexibility do decision-makers at country level have regarding the use of funding?

For geographical strategies (countries or regions), either the head of the foreign mission or the unit in Sweden has responsibility for preparation, delivery and follow-up of interventions. Discussion on the composition of the aid portfolio is conducted in conjunction with the strategy reports that the embassies submit to Sida in May of each year. Sida also uses the strategy reports for its consultation with the MFA.⁵⁴

On the basis of its annual operational plan, Sida decides which funds are to be delegated to the respective foreign mission to be used by its head. However, a decision from Sida HQ is required for interventions exceeding SEK 80 million (see Table 10). The operational plan for a country (termed 'annual plan' for foreign missions) provides

⁵³ The agreement between MFA and Sida (MFA 2018) reads: "within the framework of the task that Sida has delegated to the head of the embassy...the head of the embassy normally delegates, fully or partially, the right of decision, management, monitoring and evaluation to the head of development cooperation stationed at the embassy."

⁵⁴ E-mail conversation with Sida 29.3.2016.

an overview of how the aid portfolio is to be managed in the year ahead (looking three years ahead) and states the resources the embassy will need to carry out this work. This forms the basis for consultation between the embassy and the department at Sida to which the embassy in question reports. The formal decision on aid funding is made in the delegation decision that Sida sends to the embassies in January. The amount can be adjusted during the year, based on the payment forecasts submitted by the foreign mission.

Where foreign missions have ‘full delegation’, Sida’s regulations allow the head of mission to make decisions on interventions up to SEK 80 million. When the intervention amount is higher than SEK 80 million, the right of decision returns to Sida in Sweden. Where a foreign mission does not have full delegation, interventions are decided by the respective department director/head of unit, in line with Sida’s rules of procedure.

However, interventions are also carried out governed by strategies other than the geographical strategies. These interventions are governed by thematic strategies, such as the strategy for global action on environmentally and climate-friendly sustainable development, the strategy for humanitarian cooperation or the strategy for support via Swedish civil society organisations. A complete list of applicable strategies is shown in Table A2 in the appendix of tables. Figure A1 in the appendix of tables shows which departments and units decide on the implementation of the respective strategy. The thematic strategies can also cover interventions in countries in which Sweden does not have a bilateral strategy, however these countries must still be OECD or DAC-compatible. There may also be interventions that are decided and funded by other government agencies operating in the country, such as the Folke Bernadotte Academy, the Swedish Civil Contingencies Agency, the Swedish Institute or the Swedish National Courts Administration. These funds are decided on and managed by the respective agency and not by the head of the foreign mission. The way in which Swedish aid is apportioned between agencies and foreign missions at country level and Sida’s strategies varies from country to country. Allocations depend on the needs in the country and Sweden’s relationship and partnership with the country and the region. The section on delivery of aid in two countries provides some illustrative examples.

Delegation levels at foreign missions

The introduction of integrated foreign missions for the MFA and Sida was accompanied by exploring the opportunities of expanding the delegation of rights of decision and rights of use to the foreign missions. Initially, a pilot project was run with three foreign missions, Tanzania, Nicaragua and Vietnam, in which the staff were granted full rights to decide and manage aid funding (full delegation). This delegation then became the standard model in which decision-making was moved from Stockholm to foreign missions (interview, Sida, 25.9.2015). The delegation model was based on a number of determined criteria:

1. An assessment of the leadership, including the head of the mission's capacity to lead and deliver development cooperation in the country.
2. The embassy's capacity and capability to manage interventions on the basis of its 'Local Quality Assurance' System. Reports from Sida's inspectors and the Quality Assurance team formed the basis of this assessment.⁵⁵
3. Capacity to manage disbursements. This was less important initially, as the technical circumstances at foreign missions often did not provide access to central intervention management and financial systems. As technology at foreign missions was expanded, this became a more important factor.
4. General agency functions, such as a controller function and maintaining an own archive.

Based on the above, Sida was able to decide whether or not to delegate decision rights. The introduction of the model was followed by a series of delegation to foreign missions.

Today there are three levels of delegation to foreign missions: full delegation, partial delegation and no delegation (see below). The level for the respective foreign mission is decided by the director of the department at Sida. At the moment the criteria are not formally binding. However, when making decisions to extend or to revoke delegation the department directors take them into account in virtually the same way as previously (interview, Sida, 25.9.2015). The control environment at the foreign mission is evaluated, and audits of internal governance and

⁵⁵ The Quality Assurance (QA) team at Sida had the function of auditing internal work on the Ordinance on internal management and control.

control are examined, including quality assurance, inspections, corruption inquiries (ad hoc), internal audits and spot checks by the Swedish National Audit Office.⁵⁶

Continuity of staffing is also a crucial factor in the level of delegation an embassy is awarded. Each change of staff opens up the control function to greater risk. In countries where circumstances are difficult, in conflict or post-conflict, staff turnover may be high, as postings to these countries are usually short (often for one year). Where vacancies are left open, the risk of mismanagement increases, as does the risk of corruption.

Full delegation assumes that the head of development cooperation is based in the country (or in the country in which the foreign mission is based) and that there are sufficient staff capable of managing and checking that resources are used for their intended purposes. Although there are major differences in costs between countries, costs to have staff stationed abroad compared with basing them at Sida in Stockholm are estimated at 2.5 times as high (interview, Sida, 25.9.2015). The administrative appropriation is therefore a factor limiting the delegation levels of foreign missions.⁵⁷

A decision on full delegation involves both operational responsibility and financial responsibility for development cooperation in the country. The head of the foreign mission is then given a year by year mandate to implement the strategy in question in line with the annual plan and disburse funds. This right is restricted in two respects: (i) in that interventions follow Sida's rules for managing aid funding⁵⁸, and (ii) in that decisions on amounts over SEK 80 million must be referred to department heads based at Sida headquarters in Stockholm.

Syria is one of the most recent countries (2018) to have full responsibility for development cooperation delegated. The embassy in Damascus is open, but posting of staff is dependent on the security situation and most of the staff are based in Beirut, Lebanon.

⁵⁶ The need for binding criteria has decreased as the new intervention management system has led to increased control, which ensures that disbursements can only be made once certain data has been entered in the system and the payment has been decided at the correct level.

⁵⁷ The administrative appropriation has varied between 2.5 and 4 per cent of the non-administrative appropriation in the period 1997–2014. In 2014 it amounted to 3.3 per cent of the non-administrative appropriation (ESV, 2015:49). Sida conducts an ongoing dialogue with the MFA's administrative unit on cost sharing at integrated embassies (MFA-Sida, 2017).

⁵⁸ The aid funds fall within the remit of Sida's responsibility and are therefore covered by the Swedish Government Agencies Ordinance and the Ordinance on internal management and control.

In the case of *partial delegation*, the head of the foreign mission has no right of decision regarding funds but has the right to use the funds, i.e. the right to make payments following a decision made by Sida. In 2018 partial delegation mainly applied to countries where democratic space is limited or shrinking (Turkey and Belarus).

Examples of foreign missions *without delegation* include Iraq, Afghanistan, Sudan and South Sudan. These countries had personnel posted from Sida in 2018, but interventions are decided on and managed at Sida in Stockholm.

The delegation conditions vary in different countries and can change over time, which can result in the delegation level being reassessed. The delegation level at Swedish foreign missions that applied in 2018 is summarised below (see also Table 3 in the appendix of tables). The partner countries listed below are:

1. countries with which Sweden is to operate long-term development cooperation,
2. countries in conflict and/or post-conflict situations with which Sweden is to operate long-term development cooperation, and
3. countries in Eastern Europe and the Western Balkans with which Sweden is to operate long-term reform cooperation.

Full delegation 2018:

Africa: Burkina Faso, Ethiopia, Kenya, Mali, Mozambique, Rwanda, Tanzania, Uganda, Zambia, Zimbabwe, DRC, Liberia, Somalia (through the embassy in Nairobi), and Regional Africa (the embassy in Addis Abeba) and Regional HIV/AIDS (now SRHR, the embassy in Lusaka)

Asia: Bangladesh, Cambodia, Myanmar, Regional Asia (through the embassy in Bangkok)

Latin America: Colombia, Guatemala, Bolivia

Middle East: West Bank-Gaza/Palestine, Syria, Regional MENA (through the embassy in Amman)

Eastern Europe, Western Balkans and Turkey: Albania, Bosnia-Herzegovina, Georgia, Kosovo, Moldavia, Serbia, Ukraine

Partial delegation 2018:

Eastern Europe, Western Balkans and Turkey: Turkey, Belarus

No delegation 2018: (heads of development cooperation based at Sida)

Africa: Sudan, South Sudan

Asia: Iraq, Afghanistan

Latin America: Cuba

Eastern Europe, Western Balkans and Turkey: Russia

Decisions on Swedish aid funding in partner countries

Much of Swedish aid funding is ultimately used in individual partner countries.⁵⁹ What follows is a description of who decides on the use of the bilateral funds under appropriation 1.1 managed by Sida and other agencies.⁶⁰ The questions addressed are: How much of the funding does the head of the foreign mission have the right to decide over? How much is decided by managers responsible for Sida's thematic strategies, for civil society organisations and for humanitarian assistance? How much is decided on and implemented by other Swedish agencies in the country?

Two sample countries are chosen for illustrative purposes: *Mozambique* and *Liberia*, two long-term partner countries where the foreign mission has full delegation. In the case of Liberia a major humanitarian disaster was taking place in the year studied, 2014, and the right of decision was temporarily returned to Stockholm. Mozambique had a more normal situation.

Before going more into some detail in these two countries, figure 5 provides a comparison with three other partner countries. How much of the ODA is decided by the head of cooperation at Embassies, head of units as well as departments at Sida headquarters in Stockholm and by the Director General of Sida? The purpose is to describe the kind of variation that may occur between different partner countries, with Albania at one extreme and Afghanistan and South Sudan at the other. Delegation is much more limited in conflict ridden and fragile partner countries.

In addition to the funds described in the following, there are also other possible funds that might end up in countries like these. Global strategy funds, containing program support to various international organisations, may at times be used in individual countries. Such funds may only be traceable ex-post, since the programmes are thematic and not geographically targetted. The shares allocated to individual

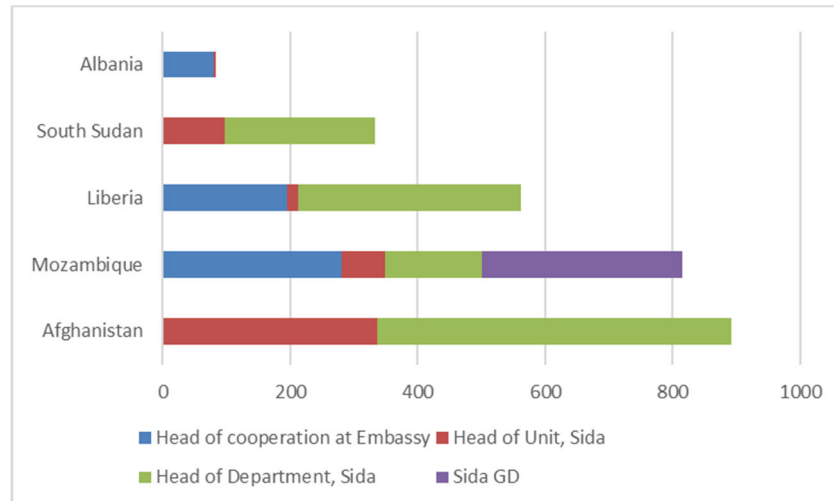
⁵⁹ Nor is it the case that all funds reported here are literally used in the respective country. For an argument on the use of aid funding and an overview of the ODA spent in Sweden, see EBA (2014).

⁶⁰ An estimate of the use of Swedish ODA in individual countries through multilaterals would require making assumptions about proportional Swedish shares. Use is also down to the decisions of the respective organisation. These contributions are thus not included in the account below.

countries would furthermore be difficult to trace. Examples of such global programmes also include International Training Programs, where participants may come from vast numbers of countries.

What emerges from the description below is that decisionmakers channeling funds to individual countries within the framework of Swedish ODA are numerous.

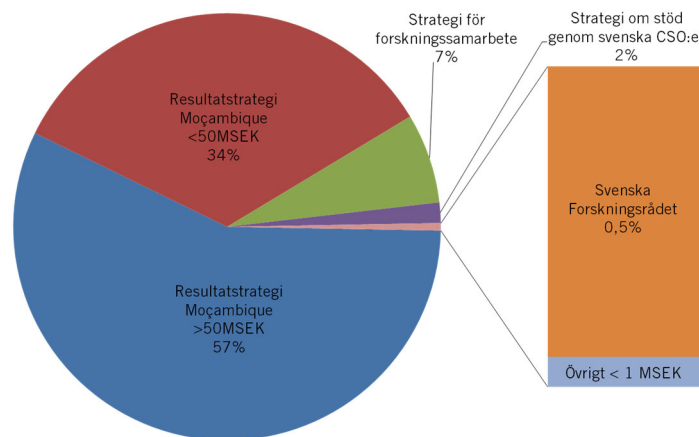
Figure 5. Who decided on aid, per country in 2014 (SEK million)?



Mozambique

Development cooperation with Mozambique is well established. The foreign mission has had full delegation since 1999. The ambassador has delegated rights of decision for aid to the head of development cooperation, as is shown by the internal rules of procedure. Figure 8 shows the payments made within development cooperation with Mozambique in 2014 and the distribution between the agencies responsible for these interventions. Where Sida interventions are concerned, the strategies within which the interventions are funded are also shown. Sida in Stockholm is responsible for funds under the strategy for support via Swedish civil society organisations, the strategy for research cooperation and the Swedish results strategy for specific interventions on human rights and democratisation. Of total aid to the country, approximately 99 per cent was financed by Sida (91 per cent steered by the country strategy). Others government agencies include the Swedish Research Council and the Swedish Institute.

Figure 6. Swedish development cooperation with Mozambique 2014



Total bilateral aid to Mozambique amounted to approximately SEK 820 million in 2014. The results strategy at the start of the year covered SEK 650 million. During the year, the Director of the Africa Department allocated additional funding to the foreign mission and the total amounted to SEK 747 million. General budget support (SEK 315 million) constituted the largest expenditure item. Decisions on these

funds were made by Sida's Director General in line with Sida's rules of procedure. Right of authorisation for budget support rests with the director of the Africa Department. SEK 60 million was budgeted for research cooperation and SEK 56 million paid out. The formal right of decision for these funds remained with the research cooperation unit at Sida. Of the total development cooperation with Mozambique, the head of the foreign mission had the formal right of decision over approximately SEK 277 million, or approximately 34 per cent (63 payment decisions).⁶¹

There is extensive *cooperation with civil society organisations* in Mozambique. In 2014, interventions were carried out for a total of SEK 194.4 million through CSOs in Mozambique, SEK 181.7 million of which was carried out as part of the results strategy for the country. The MFA is responsible for decisions and funding for these interventions. In addition to this, SEK 12.7 million was allocated through the framework agreements with Swedish CSOs steered by Sida's strategy for support via Swedish civil society organisations. The applicable framework agreements are with Diakonia, Afrikagrupperna, Forum Syd, and We Effect. Responsibility for these framework agreements rests with the civil society unit at Sida and is thus not delegated to foreign missions.

At the end of 2014 Sida had total outstanding commitments of just under SEK 1.1 billion to be met between 2015 and 2018, mainly commitments funded through the results strategy for Mozambique (SEK 995 million). Funds tied up in multi-year agreements within the research strategy amounted to SEK 57 million and within the CSO strategy to SEK 15 million. The total amount also includes two guarantee arrangements amounting to SEK 71 million in total. The subsidised amount was just under SEK 2 million.

Liberia

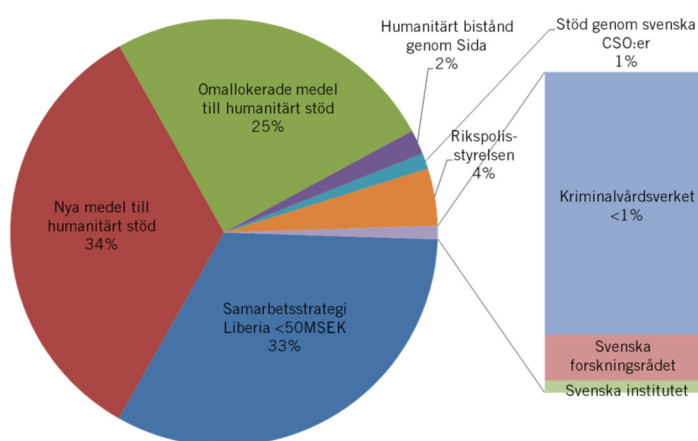
The foreign mission in Liberia has full delegation. The ambassador has delegated rights of decision for aid to the head of development cooperation, as is shown by the internal rules of procedure. In 2014 the

⁶¹ It was reported at Sida (2014b) that in 2014 the foreign mission faced a difficulty in the lack of a new country strategy, which meant that it was not possible to enter into more extensive or long-term agreements. As a result, several agreements, including decentralisation interventions and agreements with CSOs had to be shortened and a major energy intervention was delayed.

staffing situation at the embassy was affected by the Ebola epidemic, as the MFA introduced minimum staffing at the office. All staff were evacuated apart from the ambassador, the head of administration and the head of development cooperation. Due to the reduced staff and the fact that much of the funding for long-term development cooperation was for humanitarian work, some of the rights to decide on aid funding returned to Sida during the year.

Figure 9 shows the payments made within development cooperation with Liberia in 2014 and the distribution between the agencies responsible for these interventions. Of total aid to the country, just under SEK 600 million, approximately 94 per cent came from Sida (33 per cent steered by the cooperation strategy, 27 decisions) and 6 per cent from other agencies, including the Swedish Institute (grants), the Swedish Research Council (through the Nordic Africa Institute for carrying out a study), and the Prison and Probation Service and the Police Authority who seconded staff and carried out capacity building interventions for the UN forces in Liberia (UNMIL).

Figure 7. Swedish development cooperation with Liberia 2014



The delegated funds in the cooperation strategy at the start of the year amounted to SEK 300 million, which was increased to SEK 330 million during the year. All the funds were able to be disbursed during the year, but of this only approximately SEK 160 million went towards long-term development cooperation. The remainder was redirected to

humanitarian interventions against the Ebola epidemic. In addition to this amount, additional funds were re-allocated to Liberia (partly from a reallocation within the Africa appropriation and partly due to a change in the appropriation directions to Sida).

The re-allocated funds were disbursed to organisations including UNICEF, WHO and UNHAS (reallocated from the cooperation strategy, approximately SEK 150 million); the United Nations Mission for Ebola Emergency Response Fund (UNMEER, SEK 100 million); the Swedish Civil Contingencies Agency (to fund participation of Swedish health workers and logistics experts, SEK 100 million and for support to the WHO's field hospitals, SEK 25 million).

At the end of 2014 Sida had total outstanding commitments of just under SEK 243 million to be met between 2015 and 2018, mainly through the strategy for the country (SEK 323 million). Funds tied up in the CSO strategy amounted to SEK 14 million and within the humanitarian aid strategy to just over SEK 5 million.

Concluding observations

The purpose of this report is to survey the financial management of aid from the allocation of funds by the Riksdag to intervention level (in cases where decisions at intervention level are taken by a government body). Unlike an audit, the report contains no direct recommendations. However, the survey has resulted in a number of reflections that give rise to questions that are beyond the scope of this report to answer and which could form the starting point for follow-up studies.

Aid differs from other policy areas in view of the “*one percent target*”, the Riksdag’s volume target whereby one per cent of gross domestic income is to be earmarked for ODA. The total amount of funds allocated for aid activities is thus determined by the forecast gross national income. Hence, in the budget process these funds are considered to be set in advance compared with other policy areas. How does the one per cent target affect financial management in practice, how does management differ from other policy areas and what impact might this have on the effectiveness of operations?

The Riksdag annually decides what is known as the aid frame (derived from the volume target) and the size of the aid budget. Thereby the Riksdag also decides on the window available for *deductions* for aid activity that falls under other expenditure areas. This window has varied and at times been considerable. This means that a high proportion of Swedish development cooperation has been conducted within the remit of expenditure areas other than EA 7, International development cooperation. The largest item in terms of deductions in recent years has been particular costs of hosting asylum seekers in Sweden. This item not only varies considerably between Budget Bills (with an opportunity for Sida and the Government Offices of Sweden to take amendments into account in their annual operational planning) but also within a year in the spring and autumn amending budgets (with a risk of more unplanned reductions in certain contributions). As an example of such amendments, the spring amending budget for 2016 proposed a reduction in appropriation 1:1 *Development cooperation* of just over SEK 4.1 billion (more than 13 per cent of the appropriation). However, this cut was signalled politically through the government agreement in November 2015 that these deductions could not amount to more than 30 per cent of the aid frame in 2016. Of the 18 budget lines in the appropriation that rest with Sida, the financial conditions in the appropriation directions for 2016 for 16

of these lines contained the condition that “SEK [...] of allocated funds may only be used following the decision of the Government”. The total of these conditions amounted to SEK 4.34 billion, which both signals a reduction in the appropriation and that this reduction is spread across virtually all operations. What significance do such changes within a financial year have in terms of the opportunity to conduct long-term development cooperation?

There appears to be a trend for the *authorisation framework* for the aid budget, the funds that enable multi-annual financial commitments, to increase. It is also noted that Sida recommends an authorisation framework shared across the entire appropriation rather than the current system of authorisation per budget line. Such a change would make it easier for Sida to adapt to unforeseen events in the world but might potentially affect the Government’s opportunity to steer aid. How well do today’s authorisations sit with the strategies that govern aid activity?

The role of the foreign missions in Swedish aid varies between countries, depending on the delegation criteria. For many of the countries with which Sweden has bilateral development cooperation, the decisions on interventions below SEK 80 billion are delegated to foreign missions. What impact does this delegation have on the aid? What influence does Sida headquarters have on implementation? Is greater delegation to be sought or not? Is current delegation governed by the context or by the size of the administrative appropriation?

Delegation to foreign missions means that the head of the foreign mission becomes responsible for delivering aid in the country. The head of mission has a right, but not an obligation, to delegate that responsibility further to the head of development cooperation at the mission, employed by Sida. Purely from reading the documents, it appears potentially problematic that a large proportion of the aid (to countries with which Sweden has bilateral development cooperation) is delegated from Sida to people employed by the Government Offices of Sweden/MFA. Is there a risk of a lack of clarity in the distribution of responsibilities between governance and monitoring of aid (the responsibility of the MFA) and its delivery (Sida’s responsibility)? Judging by the conversations conducted during work on this survey, this system does not appear to be experienced as being problematic in practice, probably because foreign missions do delegate to heads of development cooperation and because foreign missions are independent

agencies⁶² to which Sida has the right to issue instructions. Nor are there any obvious better alternative systems. SOU 2010:32 proposes that the status of embassies as a government agency should be abolished, fully incorporating them within the Government Offices of Sweden. This would mean that Sida would instead need to obtain the right to issue instructions to departments within the Government Offices of Sweden, which would be more likely to muddy the distinction between governance and delivery.

Sida's right to issue instructions to foreign missions is regulated in the Ordinance (2014:115) on instructions to foreign missions (Chapter 3, section 8). The impression gained in conversation is that from Sida's side, it is felt to be problematic that the right to issue instructions solely applies to foreign missions in the countries in which Sweden has a strategy for development cooperation with that country. This creates difficulties, for example when work on regional strategies also includes other countries. How does this limitation affect Sida's opportunities to effectively deliver aid? How would extending the right to issue instructions affect the Government's capacity to steer aid?

Within Sida too, decision-making rights are delegated to a far-reaching extent. The survey shows that the vast majority of the decisions on Swedish ODA (in terms of number and volume) made at Sida are taken at department director level. What does this mean for coordination of Swedish ODA?

The three case studies in the report illustrate that *many different Swedish actors* can be active in one and the same partner country. Multilateral organisations (via Sweden's core contributions or Sida's multi-bi support); Sida's support through various strategies – for civil society organisations (in their own prioritised activities or carrying out interventions commissioned by Sida), research cooperation, human rights and democratisation, regions and individual countries – and support through other Swedish agencies are examples of ways for Swedish aid to “be delivered”. The impression is that Swedish actors (Swedish government actor-agencies, Sida, and civil society organisations, but also foreign missions) are not always aware of the operations of other Swedish actors in an individual country.⁶³ From an information and a coordination perspective, it would appear important

⁶² However, SOU 2010:32 (chapter 2.1) asks the question “Foreign missions – are they agencies?” answering it “yes and no”.

⁶³ Sida (2015) points out the disadvantages of funding bilateral interventions through thematic strategies, particularly in countries in which Sida does not have a bilateral presence.

that a close dialogue is conducted between the different actors who decide on the use of Swedish aid funds in an individual partner country and that work in the field is well coordinated. How does cooperation within Sida and between Sida and other agencies and organisations operate?

The report describes how *Sida is responsible for disbursement of the multilateral contributions* decided by the Government or the Government Offices of Sweden. This can create a lack of clarity among recipients as to who the Swedish partner actually is, Sida or the Swedish Government. This lack of clarity has at least two possible effects. When Sida decides on interventions (multi-bi) in the form of financing for organisations for which the Government also decides on core contributions, Sida can be seen as a bigger actor than it actually is. As long as Sida operates in line with the Government's priorities, this type of "external effect" ought mainly to be positive in terms of opportunities to further Swedish priorities in development cooperation. One potential negative effect, in cases where Sida's multi-bi support is of a greater and more strategic nature and is not sufficiently coordinated with the Government Offices of Sweden, is that it risks undermining the lobbying work being carried out by the Government's appointed representatives on the boards of multilateral organisations. This effect is possibly less likely.

A potential follow-up study, which could be entitled "Who *actually* decides on Swedish aid?", could gather viewpoints, experiences and perceived need for reform among decision makers, with the aim of examining the effectiveness of financial governance of aid.

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Table A1. Changes in appropriation directions, amount and number per agency, 2018 (SEK million)

Appropriation 1.1		Initial	As of Sept	Financial amendments	Operational amendments
Managed by Sida		39 918.2	39 918.2	0	2
line 1	Humanitarian interventions	4 150	4 150		
line 2	Information and communication activity	150	150		
line 5	Support through Swedish CSO	1 825	1 825		
line 6	Asia	2 150	2 150		
line 7	Latin America	650	650		
line 9	Africa	6 800	6 800		
line 13	Human Rights, Democracy, Rule of Law	910	910		
line 17	Middle East and North Africa	1 300	1 300		
line 23	Ref. cooperation with Eastern Europe, ...	1 340	1 340		
line 26	Global interventions, human security	415	415		
line 28	Capacity building and exchanges	670	670		
line 30	Multilateral development banks, funds ...	3 550	3 550		
line 31	Multilateral and international organisations ...	10 300	10 300		
line 32	Research cooperation	920	920		
line 33	Strategically directed contributions	1 268.2	1 268.2		
line 34	Sustainable development	3 520	3 520		
Managed by Government Offices/MFA		71.6	71.6		
line 29	Global development cooperation	71.6	71.6		
line 29.2	Conferences, inquiries ...	48	48		
line 29.3	Swedish Institute Alexandria	16.6	16.6		
line 29.6	Consulate General in Istanbul	7	7		
Managed by the Swedish Police Authority		197	187	1	1
line 12	International civil emergency management	197	187		
Managed by the Swedish Radiation Safety Authority		15	15		
line 22	Nuclear technology, Eastern Europe	15	15		
Managed by the Swedish Research Council		170	170		
line 40	Development research	170	170		
Managed by the Swedish National Debt Office		2.7	2.7		
line 3.1	Guarantee fees, ODA-countries	1.45	1.45		

Line 3.2	Guarantee fees, non-ODA countries	1.27	1.27	
	Managed by the Swedish Civil Contingencies Agency	49	56	1
line 41	International civil emergency management	49	56	
	Managed by the Swedish National Courts Administration	6.5	7.6	1
line 43	International civil emergency management	6.5	7.6	
	Managed by the Swedish Prosecution Authority	7.4	8.5	1
line 44	International civil emergency management	7.4	8.5	
	Managed by the Swedish Prison and Probation Service	32	36	1
line 20	International civil emergency management	36	36	1
	Managed by the Legal, Financial and Administrative Services Agency	18.5	18.5	
line 10	Open trade gate Sweden	18.5	18.5	
	Managed by FBA	155	157	1
line 4	Development cooperation	70	72	
line 42	International civil emergency management	85	85	
	Managed by the Nordic Africa Institute	32.1	32.1	
line 8	Action grants	16	16	
line 1	Nordic Africa Institute	16.1	16.1	
	Managed by the Swedish Institute	238.3	238.3	
line 11	Exchanges, cooperation with ODA countries	204.3	204.3	
line 11.1	Guest stipendiums and expert exchanges	21.3	21.3	
line 11.3	Leadership and exchange programmes	33	33	
line 11.4	Grant programme, long-term cooperation countries	80	80	
line 11.5	Grant programme, OECD-DAC	70	70	
line 21	Reform cooperation with Eastern Europe...	34	34	

Source: Appropriation directions and amendments 2018, Swedish National Financial Management Authority register of appropriations

Figure A 1: Sida departments with strategies

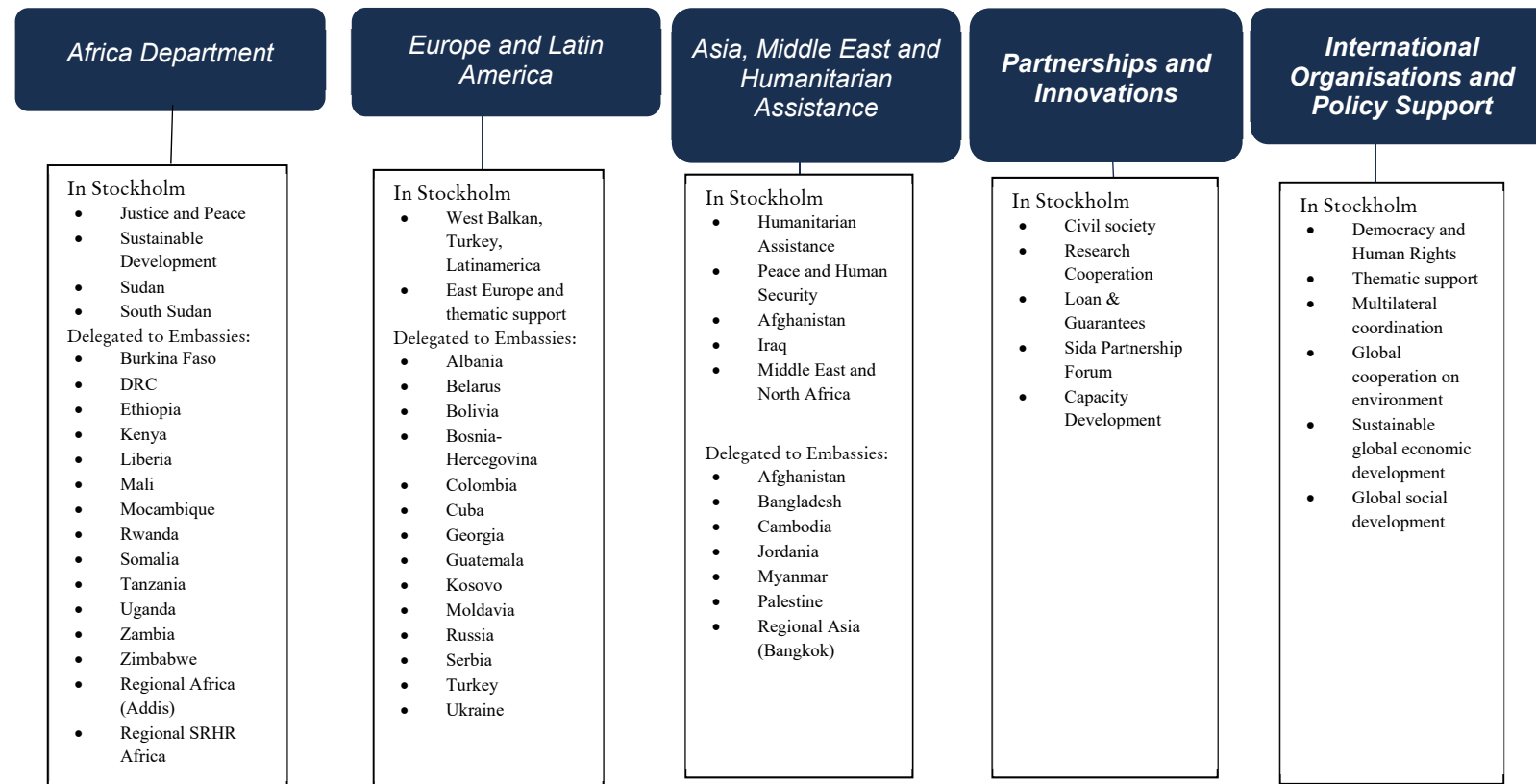


Table A2. Strategies, 2018

Strategy	Period of relevant strategy
THEMATIC	
Humanitarian assistance through Sida	2017–2020
Information and communication activity strategy	2016–2022
Support through Swedish CSOs	2016–2022
Special human rights and democracy interventions	2014–2017
Democracy support through Swedish Party org's	2016–2020
Global interventions for the environment and climate ...	2014–2017
Global interventions for socially sustainable development	2014–2017
Global initiatives for economically sustainable development	2014–2017
Global interventions for human security	2014–2017
Capacity building and exchanges	2014–2017
Research cooperation	2015–2021
AFRICA	
Regional strategy Sub-Saharan Africa	2016–2021
Strategy for regional work on HIV and AIDS and SRHR, and the human rights of LGBT people in Sub-Saharan Africa	2015–2019
Burkina Faso	2018–2022
Democratic Republic of Congo	2015–2019
Ethiopia	2016–2020
Kenya	2016–2020
Liberia	2016–2020
Mali	2016–2020
Mozambique	2015–2020
Rwanda	2015–2019
Somalia	2013–2017
Sudan	2014–2016
South Sudan	2014–2016
Tanzania	2013–2019
Uganda	2014–2018
Zambia	2013–2017
Zimbabwe	2017–2021
ASIA, MIDDLE EAST AND NORTH AFRICA	
Regional strategy Asia and South-East Asia	2015–2020
Regional strategy Middle East and North Africa	2016–2020
Afghanistan	2014–2019
Bangladesh	2014–2020
Iraq	2017–2021
Cambodia	2014–2018

Myanmar (Burma)	2013–2017
Palestine	2015–2019
LATIN AMERICA AND CARIBBEAN	
Bolivia	2016–2020
Colombia	2016–2020
Guatemala	2016–2020
Kuba	2016–2020
EASTERN EUROPE, THE WESTERN BALKANS AND TURKEY (5)	
Albania	2014–2020
Bosnia and Hercegovina	2014–2020
Kosovo	2014–2020
Macedonia	2014–2020
Moldavia	2014–2020
Georgia	2014–2020
Serbia	2014–2020
Turkey	2014–2020
Ukraine	2014–2020
Belarus	2014–2020

Source: Budget Bill 2018 f, E A 7, Appendix, samarbetsstrategier.

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