



REGERINGSKANSLIET

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**STRATEGY FOR MULTILATERAL
DEVELOPMENT COOPERATION**

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Summary

Sweden's Global Development Policy stresses the importance of enhanced interaction with multilateral bodies and greater involvement in EU development cooperation. It also states that Sweden should work to encourage more effective and stronger development cooperation activities, both on the part of the multilateral bodies and by the EU. The channelling of Swedish funds through these bodies should be guided by clear strategic thinking aimed at effective achievement of Swedish development goals.

The purpose of this strategy is to assure the quality and increase the effectiveness of Sweden's multilateral development cooperation. The strategy deepens Sweden's work in this area, raising the level of ambition and requiring Swedish actors to develop increased skills and expertise. It provides normative guidance for the government ministries and agencies that work with the UN system and the international financial institutions (IFIs) or participate in EU development cooperation. It is an overall strategy and addresses individual institutions only in general terms.

There are several strong arguments for channelling aid through organisations that have high multilateral legitimacy, are working towards the Millennium Development Goals (MDGs) and are highly effective. These include shared goals and methods, increased aid volumes, advantages of scale from coordination of aid, and a greater focus on developing countries' own strategies. The necessary reform work in the multilateral system requires proactive and strategic action by Sweden. There is a need for improved results orientation, enhanced reporting and evaluation functions and a clear division of roles between different actors in the Swedish system.

The strategy proposes that relevance and effectiveness should be the main criteria in assessing and deciding on aid to all multilateral channels, including vertical funds. Relevance means the compatibility of the activities with Swedish development goals and the role of the organisation in the international multilateral architecture. Effectiveness means whether the organisation contributes to the relevant goals set and whether the activities are organised so as to lead to results and employ aid resources effectively.

A number of principles are to apply to the financing of development cooperation. In principle, non-earmarked contributions and long-term financing are recommended. There should be contributions to 'vertical funds' only in special cases and multilateral/bilateral support should be given only within the context of the country programmes of the organisations concerned or to areas of activity prioritised by Sweden. Humanitarian financing should follow the agreed principles of good humanitarian donorship.

The strategy places great emphasis on strategic governance, influence and evaluation and makes proposals on EU cooperation, the UN and the IFIs. It points out that the work of the formal governing bodies must be supplemented by work earlier on in the decision-making process, with more informal contacts, well-prepared positions that provide improved decision-making documentation ahead of important meetings, more alliance-

building in advance and better coordination among Swedish actors. Measures are also proposed to promote follow-up and evaluation of multilateral actions and channels.

As regards implementing the strategy, a special review is proposed of the division of roles and responsibilities between the Ministry for Foreign Affairs (MFA) and the Swedish International Development Cooperation Agency (Sida). A further proposal calls for extended coordination between actors in the Swedish system – chiefly different government ministries and agencies – so as to achieve a consistent approach towards different organisations and to improve decision-making documentation for strategic actions. In this respect, it would be desirable for Swedish society as a whole to take a greater active interest in the work of the multilateral organisations. Opportunities for cooperation with these actors should be given greater attention in Swedish actions.

A strategic perspective and coordinated approach must be taken to the recruitment of staff to multilateral bodies. The strategy proposes that the Secretariat for International Recruitment at the MFA's Human Resources Department should be more actively linked to multilateral cooperation and given a strategically unifying role.

The Swedish resource base – human resources, services and goods – should be enabled to act in the multilateral system on equal terms with other interested parties, and should not be at a competitive disadvantage.

The strategy has been developed as a first step toward clearer and more results-oriented Swedish work and involvement in multilateral development cooperation. A review of the strategy will be carried out in 2010.

1. Introduction

1.1. Sweden's multilateral development cooperation today

The multilateral organisations are central to achieving the Millennium Development Goals (MDGs), promoting human rights and implementing the Paris Declaration. In its role as a global standard setter, the UN is the platform for the MDGs and their follow-up. The EU and the international financial institutions (IFIs) also share these central objectives. The coordination of aid resources within the EU, the IFIs and the UN leads to advantages of scale, lower transaction costs and higher effectiveness.

The Global Development Policy, which was adopted by the Riksdag (Swedish Parliament) in 2003, emphasises enhanced interaction with and increased involvement in multilateral organisations, including EU development cooperation. Sweden has long engaged in active cooperation with the multilateral development bodies and has been a major contributor to several institutions for many years. As a member of the EU, Sweden participates in the EU's development cooperation.

The Global Development Policy also stresses that Sweden should work to encourage more effective and stronger development cooperation activities on the part of both the EU and the multilateral bodies. Sweden must strive for greater influence in the EU and in the committee work and reform endeavours of other organisations. The channelling of Swedish funds through the multilateral system must be guided by clear strategic thinking aimed at effective achievement of Swedish development goals. The overall aim must be to obtain as great an impact as possible for development policy goals, while supporting other foreign policy objectives.

A number of studies in recent years have nonetheless noted deficiencies in the management of multilateral aid (see, for example, the follow-up of multilateral development cooperation presented by the Committee on Foreign Affairs (2005/06:RFR6) and the report *Sveriges internationella utvecklingssamarbete* (Sweden's international development cooperation), published by the Swedish Agency for Public Management (2005:31). These studies point to the need to improve strategic action, achieve better results orientation, develop reporting and evaluation functions and clarify the division of roles between different actors in the Swedish system. The recommendations are similar to those that emerged from a review of multilateral cooperation as long ago as 1999, but were not then heeded. The present strategy provides a framework for action to remedy these shortcomings.

With this strategy, Sweden will reinforce its prominent role in development cooperation and as an international advocate of a coherent policy to combat poverty and promote development, encompassing aid as well as other areas of policy. There are no real models for a Swedish multilateral strategy. This is despite the fact that, in its examinations of individual countries' aid ('peer reviews'), the OECD/DAC has been recommending in recent years that the donor country under review should put efforts into strategy development in the multilateral field. As the donor countries have not come any further in

their work on multilateral strategies, there is a strong argument for shaping a Swedish strategy gradually, so that insights and experience from other countries can continually be drawn upon and further jointly developed.

1.2. Purpose and direction

The purpose of this strategy is to assure the quality and increase the effectiveness of Sweden's multilateral development cooperation. The strategy requires Swedish actors to deepen their work in this area, raise the level of ambition and develop increased skills and expertise. It provides normative guidance, above all for staff at government ministries and agencies that deal with multilateral cooperation. In the short term (over a three-year period), it will also provide operational guidance for defining and developing prioritisation criteria, financing principles and strategic governance methods for multilateral cooperation. The strategy addresses the division among Swedish actors of roles and responsibilities in implementation and follow-up. It is an overall strategy and provides no detailed proposals of operational guidance for individual institutions. On the other hand, it does offer clear guidelines on the design of an initial assessment template for multilateral organisations, which will guide the allocation of resources to them during the 2008 budgeting round. This template will be further developed ahead of the next budgeting round and will provide part of the basis on which more detailed organisational strategies are gradually designed, under the lead of the ministry bearing primary responsibility for the organisation concerned. This process will begin during the second half of 2007, after a special template has been designed for the purpose, with strategies for large organisations such as the UNDP and the World Bank, and for EU cooperation. The strategy also identifies areas and issues that should be the object of special analysis and further investigation in the upcoming three-year period – including an investigation of the division of roles between the MFA and Sida, which will be initiated as soon as possible. A review is planned for 2010, after which the strategy may possibly be revised.

2. A Swedish strategy for multilateral development cooperation

In the last decade, there has been a paradigm shift in international development cooperation. Today, for the first time, there is a common international agenda based on the experience that has progressively emerged in the course of work to reduce poverty and promote global development. This means there is an international consensus not merely on *what* must be done to combat poverty in the world and promote global development, but also on *how* to do it. This consensus on poverty reduction, expressed in the United Nations Millennium Declaration, was adopted at the UN Millennium Summit in 2000. On the basis of the declaration, specific outcome targets have been formulated – the Millennium Development Goals (MDGs) – with associated indicators. In the international community, there is also consensus on the link between sustainable global development and respect for human rights.

This work, which includes common goals and methods, increased aid volumes, and increased focus on developing countries' own strategies, is a good argument for channelling aid through organisations that have considerable multilateral legitimacy,

share the Millennium Development Goals and are highly effective. At the same time, it means major challenges for the multilateral organisations. The UN system's development cooperation must be reformed to achieve greater effectiveness and better coordination between different bodies. The international financial institutions need to continue to develop so as to strengthen the influence of developing countries in the same institutions. Reforms of EC aid (i.e. aid channelled through the European Commission), aimed at promoting greater effectiveness and focus on poverty, are in progress and should be pressed ahead energetically. As a general point, all multilateral actors must meet their undertakings under the Paris Declaration. Achieving reform in the multilateral organisations requires proactive and strategic Swedish cooperation, in various forms. The basic principles for this are developed below.

2.1. General prioritisation criteria for Swedish aid via multilateral organisations

The allocation of aid resources should be based on clear strategic principles that apply to all ministries and agencies concerned. Each organisation must be assessed using a qualitative and structured format, e.g. an itemised checklist, in which the principal criteria are 'relevance' (target and role) and 'effectiveness'. To qualify for Swedish support, there must be a relevant match between the targets and strategies of multilateral organisations on the one hand and Swedish development goals on the other. While the issue of convergence of goals is fundamental, the assessment of relevance also includes looking at the role of the organisation as a development institution and its place in the international aid architecture. The second main criterion in prioritising aid resources is effectiveness. Hence, there are four main categories into which multilateral organisations can be classified using the following prioritisation criteria:

- 1) Relevant and effective
- 2) Relevant but lacking effectiveness
- 3) Not relevant but effective
- 4) Not relevant and lacking effectiveness

The outcome will provide guidance in prioritising Swedish cooperation and a strategic starting point for influencing, having policy dialogue with, and making financial contributions to the multilateral organisations.

Relevance

Relevant goals

The goal of Sweden's development cooperation is to contribute to creating a situation that enables poor people to improve their living conditions. Development cooperation is part of the total Swedish policy for global development, the overall aim of which is to contribute to fair and sustainable global development. Its framework is the UN Millennium Declaration and the Millennium Development Goals, which, in this context, may be regarded as time-bound specific interim targets in defined areas.

According to the Global Development Policy, work towards these goals must be directed by:

1. A rights perspective, which means that human rights must form a basis for the measures taken to promote fair and sustainable development.
2. The perspective of poor people on development, which means that the position, needs, interests and requirements of poor people must be a starting point in endeavours to achieve fair and sustainable development.

Humanitarian work is also specifically mentioned in the Global Development Policy as a significant part of the policy.

Relevant role

An organisation must work toward relevant goals and meet fundamental requirements concerning its ability to deliver within its particular area of competence. An organisation with which there is a good convergence of goals may be more or less relevant depending on what role it plays in the international architecture. In this context it should be stressed that some organisations that do not have development cooperation as a central part of their mandate nevertheless play an important part in development cooperation (e.g. normative bodies such as the IMF, WTO and ILO). Some development actors, such as the EU Commission, also have an important political role in addition to their development-related activities. Humanitarian organisations have short-term goals, focusing on saving lives and relieving distress rather than on long-term development.

Effectiveness

The fundamental questions about an organisation's effectiveness are: does the organisation contribute to development in accordance with relevant set goals and is it organised in such a way that its activities lead to results and use aid resources efficiently (i.e. the organisation's development results per krona of aid). For an organisation to be able to contribute to significant results in line with its goals, requires, among other things, that it has a reasonable financial turnover, intellectual capacity and normative influence in its field, and/or the confidence of other organisations, donors and the developing countries concerned.

However, these central questions are difficult to answer by quantitative methods. The chain of results is often unclear in development cooperation since it is affected by a host of different factors and, at the same time, is difficult to measure (institution-strengthening inputs, policy support, lobbying, coordination, participation, etc). There are also important differences between different development organisations that impede quantitative comparisons. In the absence of usable quantitative, direct measures, effectiveness must be evaluated indirectly using qualitative techniques relating to the organisation's structural qualifications, approach and performance.

The effectiveness of the organisations with which Sweden cooperates should be followed up on the basis of a range of general factors that closely correspond with the Paris Declaration. They may be broadly summarised as follows:

Internal effectiveness

- Structural factors (e.g. that the management has a clear vision and goals that are followed up; that the organisation focuses upon its mandate and goals; and that resources are allocated strategically and are followed up)
- Focus on results (Results Based Management (RBM), e.g. that there is a clear link between resources and results at all levels; that there is a strategic planning process for financing, implementation and follow-up)
- Follow-up and evaluation (e.g. that there is a functioning, independent system for follow-up and evaluation and that it is a learning organisation)
- Reliable and effective internal auditing (e.g. well-functioning auditing with an effective system for sanctions)
- Transparency, auditing and reporting (e.g. transparency and a wide-ranging disclosure policy, as well as well-functioning and competitively neutral procurement)

External effectiveness

- Results achieved, primarily in prioritised areas of activity
- Ability to cooperate and coordinate with other development actors (e.g. that the organisation proactively works in accordance with the Paris Declaration on both policy and field levels)
- Cooperation with the private sector (e.g. that strategies and activities are implemented effectively so as to promote private sector development and civil society)
- Respect for national ownership (e.g. that activities are adapted to national development strategies)

Special factors to consider in humanitarian activities

The general reasoning and proposed criteria set out above also apply in broad terms to humanitarian cooperation. However, it must additionally be borne in mind that humanitarian work has special features that distinguish it from long-term development work. Humanitarian assistance cannot be subjected to the political priorities of the partner countries or other actors. Instead, such activities stem from international humanitarian law and the fundamental humanitarian principles of impartiality, neutrality and independence. Furthermore, they must be needs-based and humanitarian support must respect the principles of good humanitarian donorship (*Principles and Good Practice of*

Humanitarian Donorship). This is laid down in Sweden's policy on humanitarian aid (Skr. 2004/05:52).

2.2. Assessment

An assessment must be made of the specific role of the organisations with which Sweden is to cooperate, as well as their effectiveness in terms of achieving set goals. The assessment is to be carried out before every decision on support by the ministry primarily responsible for the organisation, using a detailed model and a common format (assessment template). The purpose of the assessment is that it should be used as a *guidance* tool for financing decisions, especially at the time of the annual budget round or financing decisions that are important in principle, such as replenishments. In addition, this process is intended to provide a starting point for dialogue and for influencing the organisation. This applies especially to EU cooperation, where financing decisions only come up at intervals of several years. Given the emphasis on qualitative data that the assessment entails, a certain measure of flexibility is expected in its application.

The work of assessing an organisation's effectiveness must concentrate on results at country level and consist chiefly of the multilateral organisation's own reporting. This reporting is to be systematically commented on and supplemented by such bodies as Swedish missions abroad and development cooperation offices in the field. Further important sources of input include the *Multilateral Organisations Performance Assessment Network* (MOPAN) and other similar initiatives from donor and/or partner countries, as well as evaluations carried out by independent bodies.

2.3. Principles for decisions on Swedish support

Decisions on financial contributions and other forms of commitment should be considered without prejudice, using criteria for relevance and effectiveness. Other criteria are conceivable and should be taken into account in an overall assessment. However, they should be subordinated to the two principal criteria. The degree of donor participation in the processes and the distribution of burdens are examples of criteria that should be regarded as secondary.

The funds allocated may be distributed in different ways. Principles are therefore needed to guide the size of contributions to organisations and the form the financing takes. Furthermore, different methods of distribution can be used as an incentive to push forward changes in the organisation. This may mean, for example, that conditional contributions may become necessary in organisations where reforms are not progressing at a sufficiently rapid rate.

Special attention must be paid to financing activities in countries that are in the borderland between crisis (humanitarian support) and recovery (development support). Here, there may be a need for special criteria linked to work in progress at OECD/DAC on support to 'fragile states'.

Principles for financing development activities

Every year there should be a general two-stage preparatory process led by the MFA. The distribution of bilateral and multilateral aid should be prepared and discussed, and a review should be made of multilateral support, discussing the overall allocation of the appropriation and strategic priorities. The documentary basis of the review is to include assessments of different multilateral organisations/activities. This review is to proceed on the basis of the criteria described below.

Priority-setting principles

Sweden must base the size of its contributions and the form of financing chosen on an assessment of each individual organisation's effectiveness and relevance. As an incentive, changes in the form of increased effectiveness should be specially rewarded. The main approach for allocation of resources within the given framework is:

- 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
- Not relevant = reduced contributions and possible phasing out

This greatly simplified model assumes that an organisation is either relevant or not. It does not, of course, rule out changes over time, e.g. that an organisation that is not considered relevant can 'qualify' by revising its objectives or its role. However, it is not sufficient for an organisation to give general promises to move in the right direction or to begin working on change. The changes must have been implemented and must be so clear that an unequivocal assessment of relevance can be made before substantial contributions are considered.

Burden sharing

The sharing of the burden of contributions between donor countries is not a principal criterion, but may be of significance in determining the exact size of Swedish contributions. As a general guideline, Sweden should avoid being the largest donor to any individual organisation. However, with organisations that are important to Sweden, it is possible to endeavour to be among the larger donors in order to acquire influence. Also, Sweden should not simply take on the role of 'topping up' the flow of resources to institutions to which other donors do not want to renew their contributions. Such additional inputs should only occur if they are justified in relation to the principal criteria.

Non-earmarked contributions

Financing that contributes to an effective, transparent and coherent core activity is more important than being able to control Swedish support in detail. Therefore, the principle of non-earmarked rather than earmarked applies to Swedish contributions. However, it is important that the organisations use the basic contributions strategically and responsibly for prioritised activities. Strategic use of resources is an incentive for many donors to make use of this form of financing.

Fragmented earmarked financing risks contributing to weak governance and management of multilateral organisations and hence reduced effectiveness and relevance. To some extent, earmarked contributions reflect the donor's special interests and may potentially conflict with the organisation's strategic planning. An increased proportion of earmarked contributions and increased competition results in a lack of focus on the core activity and an unclear distribution of work. Furthermore, earmarked financing risks undermining internal systems for accountability. The governing body and management often do not have complete control over an activity that is being financed by a project or trust funds and the partner countries have limited opportunity to influence priorities. In addition, transaction costs increase with extensive reporting requirements and expensive fundraising activities. However, earmarked financing may be in order in exceptional cases. In such cases, clear limitations should apply and positive experiences should be incorporated into ordinary activities as soon as possible.

Predictable financing

As far as possible, Sweden should endeavour to make multi-year contribution commitments. Predictable financing is a precondition for an organisation to be able to carry out strategic programmes with sustainable results. This, in turn, means that solutions should be sought to the formal problems that also exist in Sweden with respect to long-term commitments of this kind.

Negotiated multi-year contributions to the international financial institutions, levied contributions to basic activities of the UN Secretariat and specialised agencies or dues contributed to EC aid are examples of predictable financing of multilateral organisations. However, the UN's funds and programmes, the operational activities of its specialised agencies and other multilateral organisations are mainly financed by voluntary contributions.

Voluntary contributions tend to involve unpredictable and unreliable financing, which has a negative effect on strategic planning and, in the long term, the effectiveness of the organisations. However, voluntary financing does not need to be unpredictable. In recent years, donors have, on their own initiative, promised multi-year voluntary contributions to the activities of organisations such as the World Bank's fund for low-income countries (IDA). As part of the reform efforts at the UN, Sweden is pressing for mechanisms for predictable negotiated contributions to be developed and established so as to provide support for the activities of the UN's funds and programmes.

Thematic financing (vertical funds)

Thematic financing through vertical funds means earmarked contributions that are focussed on a priority theme and operate at country level outside existing organisations, which makes compliance with the Paris Declaration more difficult. Since the main principle is not to earmark contributions, each contribution to a vertical fund must be assessed individually in accordance with the established criteria and specifically justified. The argument for an exception must be that the substance is cross-cutting and is so extensive and complex that it cannot be fitted into the existing system, such as HIV/AIDS and the environment. An exception may also be justified if a vertical fund is the only opportunity to channel resources to an activity that is important for achieving Swedish development goals or if speedy decision-making in a particular matter is especially important. Decisions on continued contributions to vertical funds should be made subject to the guidance of the principal criteria laid down by this strategy. Particular emphasis should be placed on the activity developing in the direction of increased harmonisation.

Multi-bi support

In order to promote a coherent and coordinated Swedish approach, the prioritisation criteria of this strategy must also apply to Sida's multi-bi aid, i.e. Sida support that is channelled through multilateral mechanisms (mainly the UN and the World Bank, but also the regional banks). However, multi-bi aid must also be regarded as earmarked and it therefore suffers from the fundamental weaknesses mentioned above. Furthermore, in many cases, multi-bi aid creates problems at country level. It is therefore important to find ways in which these contributions may be coordinated and integrated in the countries concerned. The principle must be that these contributions exclusively finance areas of activity that come under the organisation's country programmes and are closely coordinated with other multilateral actors and donors.

Multi-bi aid is an important supplementary channel, for example, for use in reinforcing multilateral country programmes in line with the priorities of the partner country. Sida's multi-bi aid quadrupled during the period 2002–2004 to a little over SEK 4 billion, including humanitarian support. One reason for this is an increased focus on aid for fragile states and the realisation that UN organisations have clear comparative advantages in these situations. From the point of view of the multilateral institutions, there is no difference between contributions made centrally by Sida and the Swedish Government Offices. On the other hand, they obviously perceive it as a problem if Sweden makes different demands depending on the domestic source of finance.

The role of lending activities in the international financial architecture

The IFIs have an important role to play as loan financiers of development. In the various initiatives launched to expand the grant ratio in these institutions, Sweden must act to ensure joint responsibility for their long-term financing and their role in the international financial architecture.

Different actors have different roles to play in the international financial architecture. The IFIs are unique in that they lend money to poor countries on very advantageous terms. By doing so steps are created along the way from being a recipient of grants to becoming a borrower of finance on commercial terms. A question of principle that has attracted great attention at the development banks is the balance between loans and grants. The additional advantages that partner countries can obtain from a higher grant ratio must be weighed against the risk that the long-term financing of the funds – and hence their future activities – will be jeopardised. Similar risks arise in connection with the latest debt relief initiatives, in which several large countries have made compensation pledges that have not yet been fulfilled.

Competition versus interaction between multilateral organisations

Sweden, in cooperation with other countries, should work towards an optimum distribution of work and a clear division of roles between the multilateral organisations, with the aim of achieving the greatest possible synergies. In practice, competition occurs at individual project level, which can be justifiable, but also on more general policy issues, which is dubious. Special account must be taken of the partner countries' perspectives on synergies.

Principles for financing humanitarian activities

Overall principles

Relevance and effectiveness criteria also apply to humanitarian activities. Sweden must continue to take an active part in the work of ensuring compliance with the principles of humanitarian donor policy. This includes the principle that humanitarian contributions should not be earmarked so as to allow receiving organisations to adapt inputs to humanitarian needs. Contributions must be predictable, with a view to facilitating the organisations' planning. Furthermore, contributions must support the UN's multilateral coordination and, to the highest degree possible, be coordinated with other actors contributing financially to initiatives in the same field.

Principles concerning core contributions

The starting point is that relevant UN bodies and other humanitarian organisations should have the financial resources needed for them to be able, on the basis of their mandate, to initiate and carry out actions in an effective way. In the first instance, the organisations should therefore have adequate and predictable funds *within* their normal budgets.

Principles concerning earmarked contributions

Contributions can also be made to initiatives in particular crises in response to UN appeals. Sida bears the primary responsibility for financing UN appeals. Contributions to the annual international appeals must be characterised by speed so that the organisations can be notified at an early stage. Sida must prepare a decision after weighing up needs in

acute and chronic crises in a global perspective. An important principle should be that the humanitarian organisations should be allowed substantial freedom of action. Furthermore, Sida must ensure that there is a preparedness to finance humanitarian initiatives throughout the year.

Targeted contributions at country level should, as far as possible, be bundled together with other donors' humanitarian contributions in joint country-specific funds ('basket financing'), so as to contribute to flexibility and support a coordinated initiative.

2.4. Strategic governance and influence

Forms for influence concerning all bodies

Sweden must behave proactively and use a wide variety of tools to exercise influence and governance. One central instrument in this work must be the specific strategies for the different organisations. To a large extent, the organisation strategies should be based on the assessments made ahead of decisions on financing. They must be designed using a standardised format and aim to provide operational guidance and support to staff in the government ministries and agencies concerned in the work of governance and influence.

It is not only formal influence at meetings of governing bodies or special ministerial committees that needs attention, it is just as important to have the capacity and expertise to be able to discuss matters and negotiate directly with the institutions' representatives so that Swedish priorities are taken into account. Sweden must assert itself by having skilful, well-briefed representatives on governing bodies, effective negotiators with good arguments and experts who carry on relevant dialogues with their counterparts in the organisations, both at formal meetings and in informal contacts.

Sweden's position as an important donor should be used to influence the institution's policies in accordance with the principles concerning financing. A consistent results orientation and focus on effectiveness require even more determined conduct. The possibility of withholding or reducing contributions must be used when an institution is not exerting itself to make necessary changes. Sweden must be able to leave institutions or funds that do not live up to overall goals or that exhibit low effectiveness in their activities and a lack of will to change. Should positive changes in relevance and/or effectiveness occur, Sweden should be able to rejoin.

Swedish actions in different multilateral institutions must strive for coherence. The same prioritisation criteria and principles must apply to all government agencies and ministries in their multilateral cooperation so that Sweden acts more consistently in the financial institutions, the EU and the UN system. In practice, this requires development of the existing coordination between the relevant authorities in Stockholm, primarily between the ministries concerned, Sida and the Riksbank. Direct contacts and systems for coordination between those who represent Sweden on the governing bodies of the various institutions should also be enhanced. This also requires that there are policy documents in the areas in question and that these documents are disseminated and available. It is

important to underline that the Government is responsible for membership of the multilateral institutions and that it is therefore the Government that should lay down Swedish policy and issue instructions.

Direct and to some extent informal contacts should be established at different levels of the organisation in order to be able to exercise influence on important issues and matters of principle at an early stage and generally improve advance planning. Relatively speaking, far too much effort is currently being put into discussion in the formal governing bodies. This traditional attitude is overly cautious and impairs Sweden's chances of being heard on important priorities.

Contacts with other countries should be developed further to present firmly rooted initiatives that can serve as alternatives to the institution's own proposals. A specially important question in this context is the degree of EU coordination in multilateral organisations. A clear position should be formulated on how EU coordination can be used to gain consideration for Swedish views internationally. Credible EU coordination requires that all members be engaged and that the large member states are prepared to give a common EU position higher priority than a common G8 stance.

Swedish missions abroad and Sida's section offices should play an active part in influencing organisations in the field. This assumes strong involvement in and increased knowledge of the multilateral organisations and an increased focus on the task of following up the organisations' work. The bilateral cooperation strategies that govern Sida's activities in the field should also, to an ever greater extent, provide guidance for Sida's duty to influence and conduct a dialogue with multilateral actors. Existing routines for efficient information exchange should be enhanced in order to promote contacts between the missions abroad, the delegations, Stockholm (the Government Offices and other agencies) and other actors in Swedish society with relevant experience.

Specific issues concerning influence with individual bodies

Influencing the EU Commission's aid is of special importance. Sweden has a well-developed system of participation in the Council working groups. It also has well-functioning routines for participation in the Director-General meetings as well as informal and formal meetings of the Council of Ministers. However, Swedish influence on the Commission in the early stages of policy development needs to be strengthened. Resources must be freed up at geographical and functional departments to create space for informal consultation with actors in Brussels.

In order to increase Swedish influence on the formulation of country programming in EC aid, Sida also needs to increase its participation – not least in Brussels, in both formal committee work and informal lobbying.

Existing coordination for developing Swedish positions in the IFIs and UN bodies works satisfactorily, broadly speaking. However, it targets a very late stage of the decision-making process, when many issues have in practice been settled. Both constituency

offices and Swedish representatives should therefore to an increased extent work directly with the staffs of the institutions when important matters are being prepared. They should also be responsible for ensuring that the policy development that takes place within the organisation is conveyed back to Sweden so that it can be used in the development of Swedish aid policy. Earlier dialogue with missions abroad is also desirable. As regards experience from practical development cooperation, missions abroad and aid offices should more generally contribute documentation and reports.

Generally speaking, an increase in the level of ambition is justified with regard to the monitoring of the regional banks, including greater involvement at political level. The role of these banks is expanding in their various parts of the world and they may therefore be expected to assume responsibility for an increasingly broad spectrum of policy issues.

3. Implementation of the strategy

Division of responsibilities and roles

The MFA bears the overall responsibility for working on the present strategy and its implementation. As in other areas, the Government Offices should be responsible for policy and government agencies for implementation. Existing coordination between the authorities concerned should be developed to facilitate a proactive and coherent Swedish position in multilateral bodies. The ministries and agencies with important roles in the normative work of multilateral specialised agencies should consistently be involved where their areas of responsibility are concerned. Furthermore, they should ensure that strategic matters affecting the activities of the specialised agencies are always the object of a joint preparation process. This specifically applies when the issues will have clear political consequences for the specialised agencies.

It is important to use the international expertise and experience that have been developed in different ministries and agencies. The ministry responsible for coordination should develop methods for efficiently drawing on sector-specific knowledge where it exists and not duplicating it. This also means attempting to refine and clarify its own specific role in different contexts.

Implementing the multi-strategy requires tighter interaction between departments in Stockholm, the permanent missions to the UN, constituency offices at the IFIs, the permanent representation in Brussels, our embassies in the field and other relevant actors in society as a whole. This interaction is essential to be able to promote Swedish positions effectively in different bodies. Routines need to be developed for such interaction. Monitoring and reporting on the multilateral organisations' activities should, for example, be included as part of the duties of the head of a mission abroad. The participation of geographical departments in multilateral cooperation must also be strengthened. A change in approach is also required, in addition to work on Swedish cooperation strategies with the country concerned, to increase Swedish influence on the strategies being developed in the multilateral activities. The interfaces and possible synergies

between bilateral and multilateral development cooperation should also be brought to light. In this work, attention must be paid to coherence between different areas of policy.

Traditionally, Sida has been responsible for bilateral aid and the MFA for multilateral aid. In recent years Sida has come to deal with more and more tasks, particularly after the dividing lines between bilateral and multilateral began to loosen up. In the absence of a strategic approach, this has meant that the added value of certain activities within the organisation concerned has been unclear and that opportunities for better synergies have been lost or not exploited. These uncertainties in the unclear division of roles and responsibilities have also become a problem for missions abroad, which often have to answer to two principals, with different routines and reporting requirements.

The division of responsibility between the MFA and Sida is currently unclear and the management of financial resources is not rationally divided. It is therefore proposed that as a matter of urgency, a special review is made of the division of work between the MFA and Sida, taking the guidelines on principles mentioned above as its starting point. This review should pay attention to the conclusions of the Swedish Agency for Public Management's report *Sweden's international development cooperation* (2005:31). The MFA must concentrate on the general and strategic questions and Sida on the operational issues. The result of the analysis should be set out in appropriation directions and have consequences for the distribution of resources.

Follow-up of the organisations' relevance and effectiveness

The emphasis on relevance and effectiveness in multilateral cooperation places heavy demands on follow-up and evaluation, as well as increased expectations that results will be well reported. The audit of multilateral aid made by the Committee on Foreign Affairs notes deficiencies in statistics, accounting and evaluation. It is therefore proposed that there be a special investigation/initiative to improve statistics and reporting of multilateral aid. This should be done in cooperation with Sida. The initiative should, among other things, lead to detailed proposals on the form that a regular and thorough report to the Riksdag should take. Attention must be paid to the DAC's statistical requirements.

Increased efforts must be made to follow up, audit and evaluate the multilateral organs and their activities. Evaluations of both activities in countries and institutional aspects can well be conducted jointly with other donors. It is also important to stimulate and develop the capacity of partner countries to perform domestic audit and evaluation of development initiatives. Such evaluations should be part of national follow-up and planning processes.

These days most multilateral bodies have some form of evaluation function. There is an inter-agency working group on evaluation within the United Nations (UNEG), and an equivalent group among the IFIs (ECG). Furthermore, the Office of the United Nations High Commissioner for Human Rights (OHCHR) has a special responsibility for evaluating how the rights perspective is integrated in the strategies and activities of UN

organisations. The EU also has internal evaluation functions, such as the Court of Auditors.

Although substantial efforts have been made in recent years, evaluations are still of very variable quality. The financial institutions have the most highly developed systems, but are still criticised for a lack of independence. In the UN system, much remains to be done. Sweden should be active in making demands, push for improvements and ensure that experience gained is fed back into activities. Swedish resources should be made available as needed.

Sweden should continue to be actively involved in the work of the DAC, where various working groups have been formed to push for increased coordination and effectiveness of aid, not least within the framework of the Paris Declaration. Substantial progress has been made in recent years and Sweden should continue to promote the development and improvement of the DAC's role and work.

The skills to work effectively in the governing bodies of organisations that are important to Sweden need to be developed and enhanced. In addition to a competent, properly operating organisation at home, involvement in and contributions from the field are important.

Cooperation with others

Acting together in different groupings provides increased effectiveness in multilateral development work. Sweden should always endeavour to establish alliances with other like-minded partners. Joint action may be a matter of carrying on operations in countries or of pursuing an agreed policy in different forums. Sometimes such joint action leads to a weakening of a party's own profile, a consequence that has caused political difficulties for some actors. However, this problem should not be exaggerated.

It would be desirable for Swedish society as a whole to take a greater active interest in the work of the multilateral organisations. Further, the knowledge possessed by the business sector, non-governmental organisations and government agencies needs to be better utilised. Swedish actions should, accordingly, pay more attention to opportunities for cooperation with these actors and forms should be developed for such cooperation.

Alliance building requires foresight, good planning and new working routines. The political leadership may need to get involved in matters at an earlier stage than is usual and issues may need to be prepared as special projects.

Recruitment and training needs and communication

The new strategic approach to multilateral work means a considerably higher level of ambition. In order to succeed, a strategic skills base must be developed, most importantly at the MFA, but also at other ministries and government agencies. There is a special need for staff with multilateral experience. Furthermore, economics skills need to be improved.

Resource needs should be assessed in the context of decisions on new activities. When these decisions are made, particular attention should be paid to savings from efficiency gains and opportunities for redistributing resources with reference to priorities.

In addition, actors in the Swedish system generally need deeper knowledge of the multilateral systems and how they work. It is important to break with the traditional division between multilateral and bilateral support, and to promote a holistic perspective. This should allow more effective influence. The multilateral strategy should therefore be given reasonable scope in training courses for senior officials, training courses to prepare staff for service abroad, introductory courses and the like. A special plan should be prepared for introductory and training activities. More generally, the need for good information and effective communication about multilateral cooperation cannot be emphasised enough. Here there may be grounds for special, goal-oriented initiatives within the framework of existing resources.

As noted earlier, size entails a special responsibility to be involved and influence the organisation's activities. Another way for Sweden to influence organisations and contribute to processes of change is to get Swedish staff into those organisations. Swedes often have knowledge and experience that suits many international organisations and, moreover, bring with them a modern administrative and organisational culture. This gives deeper knowledge and direct experience that can then be utilised in different ways. Recruitment of staff to multilateral bodies must therefore be viewed in a more strategic perspective and directed by overall priorities. This applies to staff at all levels, from Junior Professional Officers (the JPO programme) to national experts within the EU, secondments and service at intermediate level, which should be used more strategically in dialogue between Sida and the ministries concerned. Here, the Secretariat for International Recruitment should work closely with ministries and agencies that work with the organisations to which secondments are made. In this context the Secretariat should be more actively linked to multilateral work and should be seen as a strategic instrument for spearheading recruitment and follow-up issues. The same applies to the International and EU Affairs Division at the Prime Minister's Office, with regard to EU institutions. In certain cases of recruitment to strategic posts, this work should include active support for Swedish candidates. It should further include creating systems for systematic recycling of experience and knowledge, reporting, etc., and working to ensure that multilateral experience is regarded as an important qualification in career terms.

Transparency and neutrality in procurement and recruitment systems

Multilateral development cooperation represents around half of Sweden's aid budget and is often tied to institutions whose activities and budgets are many times greater. The large multilateral bodies procure extensive quantities of services of various kinds. It is important that these bodies are made aware of what Sweden has to offer. Forms of interaction between trade promotion and multilateral development cooperation should be strengthened. Procurement systems should be monitored and important information passed to companies to ensure that Swedish firms are not at a disadvantage. Sweden should encourage good information, high transparency and neutral competitive terms.

It is obviously important that Swedish resources and interests are also able to assert themselves, whether it is a matter of staff, services, consultancy services, institutional cooperation or products. The main principle is that Swedish aid should be untied and non-earmarked. However, it is important to ensure that procurement and recruitment systems are neutral and transparent, and that information on these issues is available to all. The Swedish resource base should be able to operate on equal terms with other interested parties and not be at a competitive disadvantage. Furthermore, it is important that the knowledge of multilateral organisations possessed by the business sector, non-governmental organisations and agencies is utilised.

4. Summary of the recommendations of the strategy

The present strategy identifies needs for new instruments and working methods in Sweden's multilateral development cooperation. In addition, it identifies a number of areas in which there is a need for further analysis and investigation. The most important are:

- *Review of multilateral bodies to provide guidance on rationalisation and priorities*

As soon as this strategy has been adopted, an initial, overall, preliminary assessment should be made of the multilateral bodies that Sweden cooperates with, so as to provide guidance on priorities and possible rationalisation. An assessment template should be developed for the purpose, in which the emphasis is on relevance and effectiveness. This assessment template should subsequently gradually be refined. The MFA has primary responsibility for this work.

- *Formulation of organisation-specific strategies for the most important institutions with which Sweden cooperates*

The present format of organisation strategies should be reviewed, with the intention of developing a new format for the formulation of strategies for the most important bodies with which Sweden cooperates. The strategy for the World Bank should be formulated jointly by the Ministry of Finance and the MFA. Strategies for specialised agencies should be jointly formulated by the relevant ministry and the MFA. Otherwise, the MFA has primary responsibility for the work (e.g. for the EU strategy). Naturally, Sida and other agencies concerned should be involved in this work.

- *Review of the division of labour between the MFA and Sida as regards multilateral development cooperation*

The division of responsibilities between the MFA and Sida is currently unclear and the management of resources is not rationally divided. The principle should be that the MFA concentrates on overall and strategic issues and Sida on operational issues. The results of the review should be set out in appropriation directions. The consequences for the

distribution of human resources between the MFA and Sida should be clearly shown. The MFA is responsible for carrying out the review.

- *Review of statistics and reporting of multilateral cooperation*

The MFA and Sida should work together to bring about improvements in the statistical documentation and reporting of multilateral cooperation. Attention must be paid to the DAC's statistical requirements and criteria and duplication of effort must be avoided. It is particularly important to find good forms for reporting to the Riksdag.

- *Review of routines and methods for the exchange of information between Stockholm, missions abroad, the Swedish UN delegations, the Permanent Representation of Sweden to the EU, constituency offices, etc., with the aim of achieving greater effectiveness in the preparation of decisions and in Swedish action in governing bodies*

Coherent and consistent Swedish action in dialogue with different organisations and in their governing bodies requires a close and active exchange of information, not least between field and central actors. The MFA should review routines and methods so as to improve and facilitate the flow and exchange of information. Furthermore, general skills enhancement is required concerning multilateral cooperation.

- *Review of recruitment issues related to multilateral development cooperation*

Sweden should have a strategic and clear policy on promoting the recruitment of Swedes by the multilateral system. This policy should also incorporate a system for recycling experience and knowledge. The Secretariat for International Recruitment should be given a key role in this work.

- *Initiatives to improve routines and procedures in alliance-building efforts*

The strategy places great emphasis on efforts to build alliances for driving policies, exercising influence and bringing about change, as well as performing activities. Alliance-building routines and procedures should be reviewed.