

Summary:

Predictable development aid – despite uncertain financing (RiR 2016:17)

Summary and recommendations

The Riksdag and Government have declared that an important condition for effective development aid is the ability of providers and recipients, as of other donors, to make long-term plans for its implementation. In a number of international agreements Sweden has also, together with other countries, undertaken to establish such long-term and predictable financing of development aid.

The Riksdag has also expressed an ambition that Sweden's international development aid should be one per cent of Sweden's Gross National Income (GNI).¹ Since the beginning of the 1990s some of these funds go towards the costs of receiving asylum seekers in Sweden. These so-called *adjustments for asylum costs* are made on the basis of guidelines from the Development Assistance Committee at the Organisation for Economic Cooperation and Development (OECD DAC).

The linking of development aid to GNI and the costs of receiving asylum seekers imply uncertainty as to the amount of funds remaining for development aid for a particular year. Even if adjustments for reception of asylum seekers have increased substantially with the increased number of asylum seekers, mainly in 2015, the uncertainty is not new. The difficulty of forecasting the number of asylum seekers, as well as the GNI trend, has for a long time made it difficult to budget for development aid.

The uncertainty makes demands of the Ministry for Foreign Affairs and the Swedish International Development Agency (Sida) as regards ensuring that Sweden's development aid is effectively managed and has the intended effect.² It also requires that

¹ The Riksdag's objective for Swedish development aid, which in 2015 amounted to about SEK 32.2 billion, is to create the conditions for a better quality of life for people living in poverty and oppression. Development aid is also of great importance in achieving the overall policy for global development (PGD), to contribute to fair and sustainable global development.

² The Ministry for Foreign Affairs deals with a considerable part of the Swedish development cooperation budget, when implementing multilateral development cooperation.

the Government budgets for and reports the development assistance framework so that the negative consequences of uncertainty are limited.

The purpose of the audit is to assess whether the Ministry for Foreign Affairs and Sida plan and budget in a way that enables predictable Swedish development aid despite an uncertain volume of financing. The audit further examines whether the Government's budgeting and financial accounting for Swedish development aid are clear.

The audit covers the period from January 2010 to April 2016. As part of the audit the Swedish NAO conducted interviews at the Ministry for Foreign Affairs, the Ministry of Finance, the Ministry of Justice, Sida and the National Financial Management Authority. Document studies were also carried out, mainly of budget bills, annual reports and budget documentation from Sida and the Swedish Migration Agency. The Swedish NAO has not assessed the impact on the results of development aid.

Audit findings

The Swedish NAO's audit shows that the financing volume uncertainty applies to both ongoing and future development aid. However, the uncertainty increases relative to the length of forecast horizon, from an average of about SEK one billion when drawing up the budget bill for the coming year to about SEK 3.5 billion for a three-year forecast horizon. In addition, during the period audited the budget for development aid was changed for the current fiscal year on eight occasions.

The Swedish NAO's overall conclusion is that central government preparedness for ensuring long-term and predictable development aid has been low with reference to the period audited.

Uncertainty in the volume of financing increased during the period, but the Government has not acted to establish better predictability in budgeting of development aid. If the ambitions of the Riksdag and Government for long-term predictable Swedish development cooperation are to be achieved the Government's budgeting and planning should be improved.

The Ministry for Foreign Affairs and Sida have acted, mainly in 2015, to improve the predictability of activities in various ways. There are good prospects for a continuation of this work to create conditions for more predictable and long-term Swedish development aid.

The Government's calculation model contributes to uncertainty

The Swedish NAO notes that the calculation model used to budget for adjustments runs the risk of giving an unfair view of actual costs for the coming year. The model's construction is based on all costs of reception being incurred in the year the asylum seeker reaches Sweden. This is seldom the case. Instead the cost is usually spread out over several years and is charged to several fiscal years, even after the year in which the asylum seeker arrived. In the opinion of the Swedish NAO it could be questioned to what extent the model should be used to budget future adjustments. Adjustments that are more clearly linked to estimated costs for the coming fiscal year could contribute to greater predictability for development cooperation.

The Swedish National Audit Office recommends that the Government:

- Reviews the calculation model used for forecasting, budgeting and accounting for asylum costs as part of development aid. The result of the review should be reported to the Riksdag, in line with the Budget Act.

The Government should avoid unnecessarily large amending budgets

To reallocate funds during a current fiscal year affects ongoing and/or planned and budgeted activities. In total SEK 7.5 billion was reallocated from development cooperation to the migration area by means of amending budgets in the period audited.

In its amendment budgeting the Government has not taken into account the total funds of the Swedish Migration Agency. The Swedish NAO's examination shows that amending budgets could have been reduced if the Government had also taken into account the Swedish Migration Agency's available appropriation credit. This is also something the Government previously determined must be done for an amending budget. At least two reallocations could have been completely avoided if the Government had to a greater degree used the possibility of using appropriation credit to temporarily cover increased costs.

The Swedish NAO further notes that in the amending budgets presented by the Government during the period there are no clear reasons or documentation for the proposed amendments. The result is that it is not possible to predict how a changed number of asylum seekers will affect development aid by following forecasts of the number of asylum seekers.

The Swedish National Audit Office recommends that the Government:

- Avoids or reduces transfers between expenditure areas by using existing appropriation credit where possible.
- Develops the supporting documentation in any future amending budgets and accounts for how proposed amendments are calculated and how they will impact development aid.

The Government's reporting of adjustments for asylum costs is deficient

The Government reports the historical and future development of development aid to the Riksdag through the budget bills and in the central government annual report. The Swedish NAO notes that the accounting for the outcome does not clearly describe how the costs are calculated. The actual cost outcome for asylum reception in development aid is thus unclear. The actual costs have only been followed up for one year during the period audited, for 2012. The follow-up of the calculation model was not reported to the Riksdag.

For 2015 the outcome for reception of asylum seekers which is part of development aid, exceeds the total expenditure reported by the Government for the entire expenditure area 8 *Migration* by almost SEK 3 billion. It also exceeds the costs that can be offset forecast by the Swedish Migration Agency. According to the Ministry of Justice the differences are mainly because the expenditure for people seeking asylum in 2015 will to a great extent be incurred in 2016 and later. This is not, however, shown in the Government's reporting.

The Swedish National Audit Office recommends that the Government:

- Develops reporting of asylum costs as part of development aid. The reporting should show clearly how the outcome has been calculated.

The Ministry for Foreign Affairs budget preparation has been improved since 2014

The Ministry for Foreign Affairs is the ministry responsible for matters concerning Sweden's international development aid, and is in charge of the budget process for expenditure area 7 *International development cooperation*.

The Ministry for Foreign Affairs' preparation of the budget bill, seen over the entire period audited, was characterised by low preparedness for managing the uncertainty concerning financing of development cooperation. However, a development project was started for preparation of the budget bill for 2014. The work progressed in the following year, and was formalised at the time of preparing the budget bill for 2016. However, Sida, which is the expert agency in the area of development aid and manages about two thirds of the budget, does not take an active part in this work.

The Swedish National Audit Office recommends that the Government:

- Ensures that the Ministry for Foreign Affairs continues to develop improved preparedness in budgeting for development aid, also in the longer term.
- Ensures that Sida as expert agency is given the opportunity to contribute material in this work.

The Ministry for Foreign Affairs was not prepared for managing changes in its own budget

During the period audited it was the Ministry for Foreign Affairs' budget for development aid that was the most impacted when adjustments for asylum costs increased. During the period the ministry was not prepared for how reallocations of funds during the current fiscal year should be managed. The lack of governing principles has adversely affected predictability of Swedish development aid.

The Swedish NAO recommends the following to the Ministry for Foreign Affairs:

- Develop preparedness for managing changes in the ministry's share of appropriations during the current fiscal year. As a suggestion, the type of scenario material drawn up by the ministry for budget preparation could be developed to increase predictability.

Only in 2015 has Sida drawn up principles for managing the uncertainty

Sida has about SEK 17 billion annually at its disposal for development aid. Until autumn 2015 the agency did not have a cohesive working method to deal with changes in the appropriation for development aid. The budget documentation the agency compiles and

submits to the Government lacks impact assessments, scenarios or similar material to show how changed budget conditions are to be dealt with.

In autumn 2015 Sida formulated a number of principles for the agency's activities based on the objective of enabling effective activities when conditions change. Sida also identified uncertainty in the financing volume as a serious risk to activities in its risk analysis for 2016, in accordance with the Ordinance on Internal Control (2007:603). The agency has also sent an enquiry to the Ministry for Foreign Affairs concerning a remit to propose how cuts should best be dealt with.

The Swedish NAO recommends that Sida:

- Develops its preparedness for changes in the agency's financing. Clearly reports how changed financial conditions can best be dealt with according to the agency, to guarantee political priorities in international development aid. The result could be presented in the agency's budget documentation, for example.