

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

Cancels & replaces the same document of 21 December 2011

SPECIAL REVIEW OF SLOVENIA

This document is re-issued to correct some formatting issues.

The special review of the development co-operation policies and programmes of Slovenia was undertaken at the request of the Slovenian Ministry of Foreign Affairs and with the agreement of the DAC. Two DAC members, Finland and Switzerland, served as examiners for this special review which was conducted from June to December 2011.

This report is submitted to the DAC for INFORMATION.

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FOREWORD

The OECD's Development Assistance Committee (DAC) welcomes the contribution of all providers of development co-operation resources and expertise towards the common goal of reducing global poverty and increasing sustainable and inclusive economic growth. The DAC hopes to forge new and mutually beneficial relationships with these new partners in international development co-operation.

Among the range of bilateral providers of development co-operation, priority partners for the DAC include OECD members that have not joined the Committee and European Union member states that joined the Union after 2002 (sometimes known as the "EU 12"). The DAC aims to share lessons and views on development co-operation with these countries, learn from their development experiences, share expertise on aid management and statistics, increase information exchange regarding development co-operation activities and financial flows and engage in policy dialogue with them.

In recent years, non-DAC OECD members and EU 12 countries have been increasing their interest in the work of the DAC, particularly in view of some ambitious commitments to scale up their development co-operation. Slovenia has participated in several DAC meetings since 2008, including its High-Level and Senior-Level Meetings. It has reported its official development assistance (ODA) to the OECD since 2005. Slovenia has also sought to learn from the good practices of DAC members and, in 2010, participated as an observer in the DAC Peer Review of Portugal.

In November 2010, Slovenia approached the OECD with a request for a special review. These special reviews draw on the DAC Peer Review methodology and provide critical, helpful and respectful insights to support a country's own efforts to strengthen its development co-operation programme and systems, including its role and obligations as a member state of the European Union. Special reviews also provide an opportunity for the DAC to learn from the perspectives and experience of providers of development co-operation beyond its own membership.

The special review of Slovenia took place from June to December 2011. It included a visit to Ljubljana by the special review team in September 2011 for discussions with key stakeholders. The special review team comprised representatives of two DAC members - Finland and Switzerland - and staff of the OECD's Development Co-operation Directorate.

This report presents the main findings from the special review, including a set of recommendations for further improvement. While the Slovenian authorities have reviewed the report for factual accuracy, the findings and recommendations remain those of the special review team.

ACRONYMS

CMSR*	Centre for International Co-operation and Development
DAC	Development Assistance Committee (of the OECD)
EU	European Union
GDP	Gross domestic product
GNI	Gross national income
MFA	Ministry of Foreign Affairs
NGO	Non-governmental organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
SCA	Slovenian Court of Auditors

* Acronym in original language.

Signs used:

EUR	Euro
USD	United States Dollar

Notes on data used:

Slight discrepancies are due to rounding.

Exchange rates (EUR per USD):

2007	2008	2009	2010
0.7305	0.6933	0.7181	0.7550

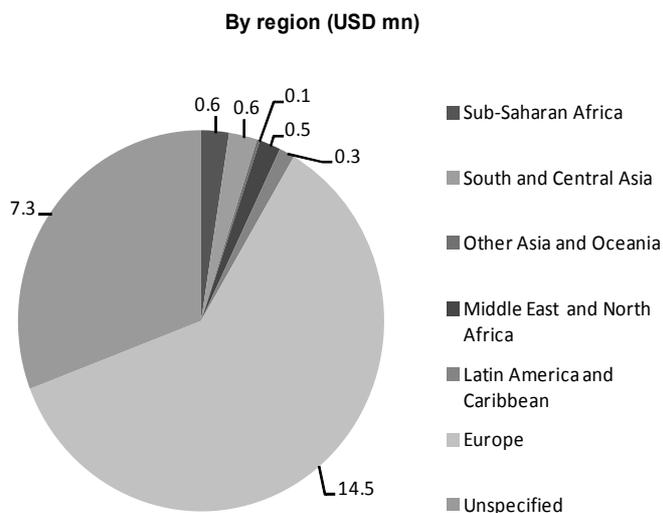
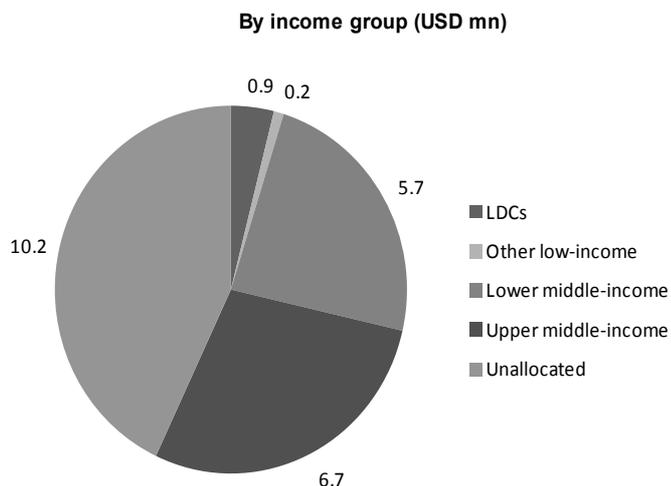
SLOVENIA'S AID AT A GLANCE

SLOVENIA

	2009	2010	Change 2009/2010
NET ODA			
Current (USD m)	71	59	-17.8
Constant (USD m)	71	61	-14.0
In Euro (million)	51	44	-13.6
ODA/GNI	0.15	0.13	
Bilateral Share	35%	38%	

TOP TEN RECIPIENTS OF GROSS ODA	
USD million	
1 Croatia	3.6
2 States Ex-Yugoslavia	2.9
3 Bosnia-Herzegovina	1.6
4 Montenegro	1.5
5 Serbia	1.4
6 Kosovo	1.4
7 Macedonia, FYR	1.3
8 Albania	0.4
9 Afghanistan	0.3
10 Palestinian Adm. Areas	0.3

Gross bilateral ODA, 2009-2010 average, unless otherwise shown



Source: DAC database, OECD.

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EXECUTIVE SUMMARY

Introduction

1. Slovenia has made substantial progress in building a development co-operation system. This special review of Slovenia's development co-operation policies and programmes highlights how it can consolidate its system and approaches in order to increase efficiency and effectiveness. The review encourages Slovenia to seize the opportunity provided by planned revisions to the strategic framework to strengthen the base for future growth in its official development assistance (ODA) programme.

Slovenia's development co-operation today

2. Since becoming a donor in 2004, Slovenia has put in place many of the important building blocks for its development co-operation programme:

- The Parliament adopted the *International Development Cooperation of the Republic of Slovenia Act* in 2006. The accompanying *Resolution on International Development Co-operation*, adopted in 2008, sets out the priorities for Slovenia's bilateral and multilateral ODA up to 2015.
- The Ministry of Foreign Affairs (MFA) has been designated as "National Co-ordinator" for international development assistance and has been strengthening its role at the centre of Slovenia's ODA programme. The ministry's new Directorate for International Development Co-operation and Humanitarian Assistance now manages a consolidated budget for ODA which is implemented through a Government Action Plan negotiated with other ministries.
- Until the economic down turn in 2009, Slovenia's ODA had been increasing steadily and had been on track to reach an ODA/GNI level of 0.17% by 2010, the target that Slovenia agreed to within the European Union. Slovenia's total ODA in 2010 was USD 59 million, 0.13% of GNI.
- Slovenia is working to build up public awareness and support for development co-operation. The Slovenian government recognises that public support will be crucial as it grows its ODA budget and consolidates its position as a donor.

3. At the same time, there are some specific features of Slovenia's development co-operation programme, which result in Slovenia also facing some particular challenges:

- The MFA manages only a small amount of Slovenia's ODA - USD 8 million in 2010. Slovenia's ODA is predominantly multilateral (62% in 2010), most of which is Slovenia's pro-rata share of the European Union's development co-operation. Student costs and scholarships make up a large share of bilateral ODA (17% of bilateral ODA in 2010) but these programmes are not managed by the MFA.
- Excluding its contribution via the European Union, Slovenia's ODA is characterised by a large number of small allocations. Managing these activities absorbs a large amount of time of the limited human resource capacity Slovenia has available for its ODA programme.
- Most of the MFA's bilateral ODA is channelled through five Slovenian quasi-governmental foundations as well as a non-profit institute established by the Slovenian government - which has been given sole authorisation to act for and on behalf of the government in dealing with the

private sector. This raises issues about transparency and accountability, about cost effectiveness and about ensuring that Slovenia is getting the maximum development impact from its ODA.

- There is a tension between desires to make Slovenia's ODA more effective - implemented in accordance with international good practice - and to increase the visibility of Slovenia's ODA programme, including by providing more aid in-kind, including to far-off locations.

Suggestions for improving Slovenia's development co-operation

4. With only modest growth in ODA now expected, and the mid-term review of the *Resolution on International Development Co-operation* scheduled to take place in 2012, Slovenia has an opportunity to take stock of achievements to date, consolidate its structures and systems, and set a new course for its development co-operation.

5. This special review recommends that Slovenia seize this opportunity and aim to innovate and do development co-operation differently, carefully balancing its resources and capacity with a more focused programme (e.g. becoming a "niche" donor). This will make Slovenia a more influential player, improve the effectiveness of its ODA and put it in a stronger position for when the ODA budget starts to increase again. There are a range of issues that Slovenia should address as it moves further forward:

- i) **Reforming the legal foundations.** Reforming the package of legislation that impacts on implementation of the ODA programme will help relieve some constraints and improve quality and effectiveness. When pursuing the planned legislative reforms, Slovenia should ensure that the legal foundations set out the principles that underpin the ODA programme, clarify the roles and respective responsibilities of the various entities involved and include verifiable and measurable objectives. The MFA should be able to provide grants and not just reimburse expenses incurred.
- ii) **Sharpening Slovenia's strategic directions, based on its competencies.** The next version of the Resolution on international development co-operation should be the key strategic document guiding Slovenia's ODA. It should make the link between the principles agreed internationally, including within the European Union, and Slovenia's own objectives for its multilateral and bilateral ODA. These should be based on Slovenia's competencies, notably its experience of institutional reform and managing the transition from a command to a market-based economy, as well as its familiarity with the Western Balkans and Eastern Europe.
- iii) **Continuing to consolidate the MFA's role as national co-ordinator.** The MFA's central role can be further strengthened. The legal foundations should clarify its responsibilities. More of the budget for ODA should be consolidated under the management of the MFA.
- iv) **Addressing human resources challenges.** The MFA's Directorate for International Development Co-operation and Humanitarian Assistance needs to address the human resource challenges it is facing. In the short term, the MFA should minimise the impact of regular staff turnover with good handovers, increasing incentives for staff to stay and dedicating time to producing key guidance documents. In the medium term, the MFA can establish a development specialism within the ministry and make development an attractive career choice.
- v) **Making multilateral aid more strategic and focused.** Slovenia's ODA should remain predominantly multilateral. A strategy will help clarify the important issues for Slovenia and enable it to get the most from its substantial multilateral ODA. To create space for engaging more strategically with its main multilateral partners, Slovenia should replace smaller contributions not aligned with its priorities with fewer but larger contributions. This will also make Slovenia's

ODA more relevant, increase efficiency and reduce transaction costs. Slovenia should mainly support least-developed countries and Africa through its multilateral ODA.

- vi) **Making bilateral aid more strategic and focused.** Slovenia has a recognised experience in transition management. This provides Slovenia with a good basis for its bilateral programming in neighbouring areas. Slovenia should focus on the Western Balkans and Eastern Europe as regions, rather than establishing a series of small, complex country programmes. In these regions, Slovenia's interventions should focus on topics it excels in and be based on an assessment of where it can most add value as a complement to the interventions of other donors, so that it contributes to a greater and more coherent whole (i.e. a "niche" donor approach). The MFA should approach its partnerships with non-governmental organisations (NGOs), both in Slovenia and in developing countries, in terms of helping to achieve Slovenia's strategic objectives.
- vii) **Bringing humanitarian assistance more in line with international principles and good practice.** From an international perspective, there are some definitional issues related to Slovenia's humanitarian aid. This is important because different principles guide the implementation of humanitarian aid and development co-operation. In particular, humanitarian aid should adhere to the principles of humanity, impartiality, neutrality and independence and not be influenced by domestic objectives, such as increasing Slovenia's visibility. Slovenia should differentiate its humanitarian aid from its development co-operation, in line with the principles and practices of good humanitarian donorship.
- viii) **Increasing cost effectiveness and aid quality.** There are a number of changes Slovenia could make to increase cost effectiveness and the quality of its aid. Increasing the share of aid which is untied can make an important contribution, as can building on experience of working jointly with other donors. Overall, Slovenia needs to look at its business model with a view to reducing fragmentation and examining its key partnerships. It should establish transparent and open processes and strategic frameworks with organisations involved in implementing its development co-operation. In its humanitarian assistance, Slovenia should focus on working through a limited number of internationally co-ordinated mechanisms.
- ix) **Setting up a system for monitoring and evaluating.** A well-designed results-based management system would help Slovenia achieve better development results with its ODA and provide assurance that its funds are being well used and well managed. Slovenia should give high priority to establishing a clear and consistent approach to planning, monitoring and evaluating. This should start from the strategic goals for Slovenia's development co-operation and identify clear, time-bound objectives at the activity level that contribute to achieving these goals, as well as indicators to assess progress. Slovenia should also aim to develop an evaluation function appropriate for its size and areas of focus. When doing so, Slovenia can look towards the experience of other small donors.
- x) **Continuing to build up public awareness and support.** Recent surveys have shown that public support for development co-operation is limited in Slovenia. To help address this, Slovenia should develop a communications strategy that defines key messages, target audiences and communication partners, including NGOs. Communications should focus on results achieved – i.e. evidence that Slovenia has been instrumental in influencing the multilateral agencies it supports or examples of how ODA has improved the lives of poor women and men in developing countries. For the moment, Slovenians may be satisfied with the visibility of small, identifiably Slovenian projects. However, in the longer term, they are likely to be more satisfied with evidence that Slovenia's ODA has contributed to promoting sustainable economic growth and reducing poverty in developing countries. This is in Slovenia's own long-term interest.

CHAPTER 1

STRATEGIC FRAMEWORK AND ORIENTATIONS

6. This chapter presents the current context for Slovenia's development co-operation and reviews the foundations for the programme (including the legal basis, strategic directions and public support). It also considers issues related to the impact of policies on developing countries and the effectiveness of aid.

1.1. Consolidating Slovenia's place as a donor

7. During its 20 years of independence, Slovenia has acquired substantial experience of institutional reform and managing the transition from a command to a market-based economy. Among the former Yugoslav republics, Slovenia is the first to accede to the European Union (EU) (in 2004) and the OECD (in 2010) and to adopt the Euro as its currency (in 2007). This experience is recognised by other countries in transition, many of which seek to learn from Slovenia.

8. Over the last decade, Slovenia has also been consolidating its place as a donor. The former Yugoslavia provided official development assistance (ODA) but, since its break up, the constituent republics have received development assistance. Slovenia received ODA until 2004, when it was removed from the *DAC List of ODA Recipients* and became a donor in its own right, guided by the EU's common objectives on development. In 2006, the Parliament adopted the *International Development Cooperation of the Republic of Slovenia Act*, which designates the Ministry of Foreign Affairs (MFA) as the "National Co-ordinator", and foresees preparation of time-bound Resolutions that set out the medium-term priorities for Slovenia's bilateral and multilateral ODA, and guide implementation. In 2008, the Parliament adopted the first *Resolution on International Development Co-operation*, which covers the period up to 2015.

9. Until recently, Slovenia had been experiencing strong economic growth - progressing towards average living standards in EU member states - but the global crisis took a heavy toll. In 2009, Slovenia's gross domestic product (GDP) fell by 8%, among the deepest declines in the OECD, and the general government deficit reached 5.7% of GDP. With exports rebounding, GDP was poised to grow modestly in 2010 before picking up to 2-3% in 2011-12. However, domestic demand remains weak (OECD, 2011a).

10. Slovenia's total ODA was USD 59 million in 2010, 0.13% of its gross national income (GNI). As a result, and despite having been on track for several years, Slovenia did not meet its undertaking within the EU to reach an ODA/GNI level of 0.17% by 2010. Moreover, the MFA currently projects only slight growth in ODA in nominal terms and does not expect Slovenia to reach its 0.33% ODA/GNI target for 2015 either (see Chapter 2).

11. With only modest growth in ODA now expected, and the mid-term review the 2008 Resolution scheduled to take place in 2012, Slovenia has an opportunity to take stock of achievements to date, consolidate its structures and systems, and set a new course for its development co-operation. This special review recommends that Slovenia seize this opportunity and aim to innovate and do development co-operation differently, balancing its resources and capacity with a focused programme. By building on its competence in managing transition and its familiarity with the Western Balkan and Eastern European regions, as well as making its substantial multilateral assistance more strategic, the review team believes

that Slovenia can be an even more influential player internationally and improve the quality and effectiveness of its ODA programme.¹

1.2. The importance of reforming the legal foundations

12. Comparative international experience highlights the benefit of donors anchoring their development co-operation programmes in legislation that provides a clear statement of purpose and a framework for implementation. At the same time, the legislation should not contain so much detail that it becomes counter-productive. Legislation should also be updated regularly, so as not to restrain system efficiency in the fast evolving world of development co-operation (OECD, 2008).

13. Importantly therefore, Slovenia adopted its *International Development Cooperation of the Republic of Slovenia Act* early on in its evolution as a donor. The Act sets out the wide range of objectives for Slovenia's bilateral and multilateral ODA, establishes an Interagency Working Body and an Expert Council (see Chapter 3), defines the modalities for planning, financing and implementing Slovenia's development co-operation and specifies the entities through which Slovenia is legally able to channel its ODA, as well as the conditions under which these entities must operate. The Act stipulates that performance assessments should be carried out so that attainment of objectives can be monitored.

14. Other legislation also impacts on the nature and implementation of Slovenia's ODA programme:

- The *Public Finance Act* governs Slovenia's public spending, including the ODA managed by the MFA. Currently, the Act does not allow funds to be carried over from one financial year to the next. The Act also precludes the MFA from making grants; the ministry can only reimburse contractors and non-governmental organisations (NGOs) for expenses incurred. The limitation on grant making constrains Slovenian efforts to develop an efficient business model for ODA.
- The *Public Procurement Act* governs contracting for supplies, services or works. Currently, these procedures hamper swift payments being made, including for humanitarian crises.
- The *Decree on Carrying Out Twinning Projects and Bilateral Technical Assistance* governs the provision of technical co-operation. Currently, this expertise can only be sourced from Slovenian ministries, bodies affiliated to ministries and government services, despite knowledge of Slovenia's transition experience also being available in other parts of society, where it can sometimes be more readily accessed.

15. The ministries of foreign affairs and of finance acknowledge that reforms are required to the package of legislation that impacts on the ODA programme. Some reforms are already envisaged. The review team welcomes these plans for reform, which are in line with international good practice to keep legal foundations up-to-date.

16. When making these legislative reforms, the review team recommends that Slovenia also consider whether other reforms may improve the efficiency of its development co-operation system. These reforms, which were recommended in a recent audit by the Slovenian Court of Auditors, include: setting out in the Act on international development co-operation the principles that underpin the ODA programme, clarifying the roles and respective responsibilities of the MFA, as National Co-ordinator, and the other entities covered by the Act and ensuring that objectives are verifiable and measurable, so that attainment can be assessed.

1. In its resolution of 13 March 2008 on *The challenge of EU Development Cooperation Policy for the new Member States*, the European Parliament already encouraged the new Member States to set a positive example for others. On that occasion, the European Parliament encouraged Slovenia and the other new Member States to fully untie their ODA, another means of improving the effectiveness of their aid.

1.3. Sharpening the strategic direction should be a priority

17. The strategies and policies guiding Slovenia's ODA are contained in a range of documents, some of which are still being prepared or revised. This is a dynamic component of Slovenia's development co-operation and a work in progress.

18. Slovenia's stated vision for development co-operation is consistent with the principles, values and objectives agreed internationally, including within the OECD's Development Assistance Committee (DAC) and amongst EU member states. Slovenia's ODA is guided by the vision set out in *The European Consensus on Development*². According to this vision, the primary and overarching objective of development co-operation is the eradication of poverty in the context of sustainable development, including the achievement of the Millennium Development Goals (MDGs). In pursuing this objective, the member states and other parts of the EU aim to strengthen the social dimension of globalisation and promote employment and decent work for all. Ownership and partnership are key principles for delivering more and better aid in a spirit of complementarity.

19. A feature of Slovenia's Act on international development co-operation is the wide range, large number and high ambitions of the objectives that it includes, covering all aspects of economic, social and environmental development. For the review team, there is a question whether such detailed orientations are best included in an Act of Parliament. In the Slovenian context, the Act may more appropriately set out the principles underpinning the ODA programme, in line with those agreed internationally and notably within the EU.

20. In terms of strategic directions, the Resolution on international development goes no further than summarising Slovenia's objectives under the Act and as a member state pursuing the EU vision of development. For the review team, this is a missed opportunity because a time-bound Resolution provides a more flexible means of setting out Slovenia's core objectives as a donor, built on its own competencies and reflecting changes in both the international context as well as evolutions in Slovenia's foreign policy. When the Resolution was submitted to Parliament in 2008, it was accompanied by a memorandum which contained a lot of the guidance that might have been usefully included in a strategy for Slovenia's development co-operation. Since this memorandum was not approved, Slovenia does not have strategic guidance on how to implement the Act and Resolution.

21. The Resolution also sets out the following geographic and thematic priorities and stipulates that 80% of Slovenia's ODA should be channelled in support of a geographic or thematic priority (and half of this should support both a geographic and thematic priority):

- **Geographic priorities:** i) Western Balkans; ii) Eastern Europe, the Caucasus and Central Asia; and iii) Africa.
- **Thematic priorities:** i) social services; ii) economic services and infrastructure; and iii) multi-sectoral (including climate change adaptation and good governance).

22. Slovenia has been moving towards more strategic relationships with its main bilateral ODA partners. The MFA has now entered into multi-annual programmes - which cover the various activities it intends to fund - with Montenegro and the Former Yugoslav Republic of Macedonia (FYROM) in the Western Balkans. Slovenia also aims to move to multi-annual programmes with Moldova in Eastern Europe and Cape Verde in Africa. Slovenia's humanitarian aid focuses on Afghanistan, the West Bank and Gaza Strip and the Western Balkans.

2. *The European Consensus on Development* was adopted by Slovenia and the other EU member states, the European Council, the European Parliament and the European Commission on 20 December 2005.

23. Following the introduction in 2010 of the Government Action Plan, which consolidates part of the budget for ODA under the responsibility of the MFA (see chapter 2), Slovenia is placing greater emphasis on three thematic areas: i) strengthening good governance, the rule of law and social sectors with a particular emphasis on transition assistance and institution building, respect for human rights of women and children, education and scholarships; ii) environmental protection with a focus on sustainable water management; and iii) women's empowerment as a crosscutting theme. The MFA plans to develop policies on each of these themes. At the same time, the review team questions whether these themes best reflect Slovenia's competencies and support a more strategic positioning as a donor.

24. For the review team, pursuing a more focused, "niche" approach implies tightening Slovenia's geographic and thematic concentration further. Geographically, Slovenia should focus on the Western Balkans and Eastern Europe as regions for intervention, which would allow it to make better use of its bilateral ODA than establishing a series of small, complex country programmes. Similarly, making Slovenia's competence in institutional reform and managing transition its thematic focus would promote synergies between activities, help to contain dispersion and provide a basis for developing a high level of expertise in key programming areas. When pursuing these activities, Slovenia should continue to pay attention to gender equality and environmental sustainability as crosscutting themes.

25. The informal note on "Harnessing the transition experience in EU's external relations – from policy to implementation"³ is an example of building on Slovenia's and other EU member states' competency in transition management. The note anchors itself in *The European Consensus on Development*, which encourages the EU to capitalise on new member states' experience in transition management, and promotes application of the principles of aid effectiveness, notably co-ordination and a division of labour between EU donors. The note highlights that transition management is a complex area, encompassing a wide range of reforms, and so needs to be approached in a holistic manner. For the review team, the note provides Slovenia with a basis for moving forward based on its recognised competencies, bringing in and joining up with other donors as appropriate.

26. The review team welcomes the MFA's plans to develop strategic guidance in two important areas for the ODA programme: multilateral aid and working with NGOs:

- Around two thirds of Slovenia's ODA is channelled through **multilateral organisations**, principally the EU. In the view of the review team, the strategy should clarify what the important issues for Slovenia are in its engagement with multilateral organisations and how to consolidate and get the most out of Slovenia's support, including by building coalitions with like-minded countries. The strategy should also help to focus Slovenia's engagement and to consolidate and direct funding, taking account of evidence on the organisational efficiency and development effectiveness of the agencies it funds. Other issues to cover include matching Slovenia's ambitions to its resources and the relative merits of earmarking contributions or providing core support (which provides Slovenia with a greater opportunity to have its voice heard and influence its multilateral partners). The MFA should consult major stakeholders – including other ministries, especially the Ministry of Finance – when preparing the multilateral strategy.
- **Non-governmental organisations** typically have a complex relationship with government due to their multiple roles as policy discussants and watchdogs, project implementers in areas of their comparative advantage and partners in raising public awareness and support for development co-operation, as well as being development actors in their own right. In the view of the review team, the NGO strategy should help clarify how and when the MFA and NGOs would co-operate and with what objective. This would help build a stronger and a more cost-effective, structured

3. Slovenia was a strong proponent of this non-paper which was released on 16 February 2011.

and transparent relationship. The MFA should consult with key stakeholders in the NGO community, especially SLOGA, the Slovenian NGO platform, when developing the strategy.

1.4. Clarifying the difference between humanitarian assistance and development co-operation

27. From an international perspective, there are some definitional issues related to Slovenia's humanitarian aid. In the Resolution, Slovenia defines humanitarian and post-conflict assistance broadly, ranging from assistance in emergencies, such as natural and other disasters and conflicts, to mine action and assistance, to children in post-conflict situations, to the reduction of poverty and hunger. Some of these activities are developmental in nature and fall outside the DAC definition of humanitarian aid (i.e. "Assistance designed to save lives, alleviate suffering and maintain and protect human dignity during and in the aftermath of emergencies").

28. The review team stresses that this distinction is important because implementation of humanitarian aid and development co-operation should adhere to different principles. Humanitarian aid should follow the principles and practices of good humanitarian donorship, an initiative supported by Slovenia. In particular, humanitarian aid should adhere to the principles of humanity, impartiality, neutrality and independence and not be influenced by domestic objectives, such as increasing Slovenia's visibility. This definitional issue should be addressed when Slovenia revisits its legal foundations and strategic directions and followed through in programming and reporting (see also Chapter 2).

1.5. Continuing to build public awareness and support

29. Comparative international experience highlights that strong public support is the best guarantee of the political and legislative support required for a strong and dynamic development co-operation programme. Even in countries predisposed to providing foreign assistance, pro-active and targeted forms of public education and awareness building are often required (OECD, 2008).

30. National and international surveys have shown that public support for development co-operation is a relatively low in Slovenia. The latest survey, a Eurobarometer survey in 2010, found that an estimated 80% of Slovenians – the second lowest share after Bulgarians - felt it was "very important" or "fairly important" to help people in developing countries (EU average: 89%). An estimated 18% of Slovenians - the highest share in any EU member state - felt it was "not important" to help (EU average: 9%).

31. The Slovenian government recognises the importance of building public awareness. The Resolution stresses the need for Slovenian society and its political leaders to understand global developments, their causes and consequences, and be aware of the interdependence of local and global issues. The MFA has taken a number of initiatives in recent years to raise awareness of the Slovenian development co-operation programme including through dissemination (e.g. by developing a website and preparing annual reports) and staging major events to bring development debates to Slovenia [e.g. organising an annual "Slovenian Development Day", at which both the President and the Minister of Foreign Affairs have spoken, and co-hosting the Annual (World) Bank Conference on Development Economics (ABCDE) in 2007, on the subject of "The Private Sector and Development"].

32. As a next step, the MFA could expand its support for development education activities. Most DAC members work with civil society on development education, recognising that the state has a strong self interest and so it is better to let citizens inform citizens. In 2008, for its first call for proposals from Slovenian-registered NGOs, the MFA provided USD 147 238 (EUR 100 000) to support eight development education and other awareness-raising activities and could continue to support development education in this way. The initiative of SLOGA and the Ministry of Education to develop pedagogical material that can be used in Slovenian schools also merits support. This will help build a common

understanding of development issues and challenges among Slovenia's future leaders, decision makers, tax payers and voters. Such institutionalised awareness building is more effective than piecemeal projects. It also circumvents the risk with development education that it mostly informs people already interested in or predisposed to providing development co-operation.

33. To bring these various public communication efforts together, the review team recommends that the MFA develop a communications strategy that defines and matches key messages and target audiences and clarifies the roles of different communication partners, including NGOs. Communications should focus on results - i.e. evidence that Slovenia has been instrumental in influencing the multilateral agencies it supports or examples of how Slovenia's ODA has improved the lives of poor women and men in developing countries, rather than highlighting the involvement of Slovenia firms or NGOs. This may require greater investment in setting measurable objectives and monitoring results (see Chapter 3).

1.6. Making Slovenia's development co-operation more effective

34. In *The European Consensus on Development*, Slovenia and the other EU member states reiterated their dedication to improving the quality and impact of their aid by implementing and monitoring their commitments on aid effectiveness, notably those in the *Paris Declaration on Aid Effectiveness*. National ownership, donor co-ordination and harmonisation, alignment to recipient country systems and a results orientation are core principles in this respect. Slovenia reconfirmed this orientation in its Resolution.

35. In several ways, Slovenia is applying aid effectiveness principles. It is attentive to developing countries' requests when selecting projects. The implementing agent (CMSR⁴) works with developing countries and through their procurement systems. Slovenia is working jointly with other donors for specific projects (e.g. when Slovenia is not represented in the country), recognising that this should lead to better development results. The review team considers that as a smaller donor, building on such joint approaches would help Slovenia harmonise and align in an efficient and effective way. In addition, Slovenia is able to make multi-year commitments, which provides a basis for more predictable programming.

36. At the same time, there can be some tensions between the desire to promote the visibility of Slovenia's ODA and aid effectiveness principles. The current business model maximises the role of Slovenian personnel, agencies and firms in the delivery of bilateral ODA. This model, based as it is on calls for proposals within Slovenia, limited to foundations or NGOs registered in Slovenia, does not promote alignment with developing country-owned strategies, harmonisation, mutual accountability or the use of developing country systems (this issue is discussed further in Chapter 3).

37. The review team suggests that Slovenia integrates guidance on making aid more effective, framed with reference to the principles in the *Paris Declaration on Aid Effectiveness* and *the Accra Agenda for Action*, in the manuals, guidelines and procedures it develops. This would help clarify the competences that form the basis for Slovenia's ODA as well as the principles underpinning its implementation.

1.7. Taking account of the impact of public policies on developing countries

38. In a globalising world, the impacts of Slovenian and EU policies in many domains are felt far beyond their borders. To meet the challenge of promoting growth and reducing poverty throughout the world, Slovenia needs to ensure that its policies, and policies of the EU, are supportive of, or at least do not undermine, the interests of developing countries. As a result, Slovenia's development co-operation

4. In 2007, the Centre for International Co-operation and Development (CMSR), a not-for-profit research and advisory institute, received a government authorisation to implement part of Slovenia's bilateral ODA.

community, in the MFA but also in other ministries, needs to engage with other policy communities so that instruments that deliver progress towards multiple policy objectives can be discussed and designed.

39. Most DAC members are now setting clear mandates and establishing mechanisms to ensure that policies are assessed for their impact on developing countries. Three important building blocks have been identified for promoting greater policy coherence for development. These are: i) political commitment and policy statements; ii) policy co-ordination mechanisms; and iii) systems for monitoring, analysis and reporting. Educating and engaging the public and working with civil society to raise awareness of how Slovenian and EU policies can impact on development outcomes in other countries contributes towards the first of these building blocks. The Interagency Working Body provides a forum for policy co-ordination. The review team suggests that Slovenia also considers its systems for monitoring, analysis and reporting on the impact of policies on developing countries, including where this responsibility should be housed.

1.8. Recommendations

40. There has been much positive change introduced into Slovenia's development co-operation programme in recent years, a trend which the MFA's key partners within Slovenia also recognise. To build on this progress and strengthen further its strategic framework and orientations, the special review team recommends that Slovenia:

- i) Seize the opportunity of only modest expected growth in ODA to innovate and do development co-operation differently, balancing its resources and capacity with a more focused programme. Slovenia can build on its recognised transition experience and its familiarity with the Western Balkan and Eastern European regions, as well as use its substantial multilateral aid as its main means of extending Slovenia's support to least-developed countries and to Africa.
- ii) Pursue reforms to the legal foundations for the ODA programme, including related legislation that constrains implementation and grant making. These foundations should set out the principles that underpin the ODA programme, clarify roles and respective responsibilities (notably of the National Co-ordinator) and ensure that objectives are verifiable and measurable.
- iii) Develop the strategic framework, as planned. The new Resolution should be the key strategic document for Slovenia's ODA, making the link between the principles agreed internationally and Slovenia's own objectives for its multilateral and bilateral ODA, based on its own competencies. Guidance on key themes, multilateral aid and working with NGOs should draw down from these strategic directions and help guide implementation.
- iv) Differentiate its humanitarian aid from its development co-operation, in line with DAC definitions and the principles and practices of good humanitarian donorship.
- v) Prepare a communications strategy to bring its various awareness-raising activities together. The strategy should define key messages, target audiences and communication partners, including NGOs, and focus on development results achieved, rather than the visibility of Slovenian inputs.
- vi) Integrate guidance on making aid more effective, framed with reference to the principles in the *Paris Declaration on Aid Effectiveness* and the *Accra Agenda for Action*, in the manuals, guidelines and procedures it develops. This will help ensure that implementation choices are based on expectations of having a significant development impact.

CHAPTER 2

ODA CHANNELS, VOLUMES AND ALLOCATIONS

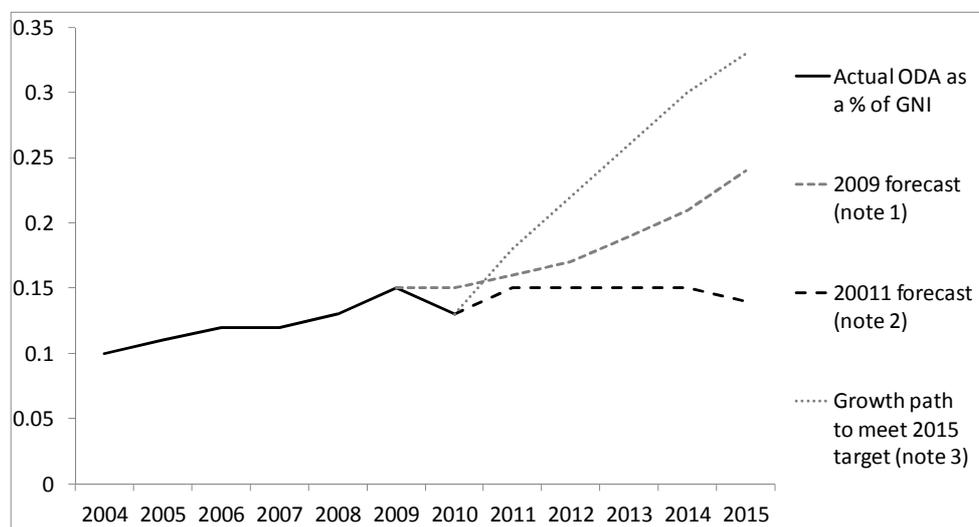
41. This chapter presents and analyses the size and scope of Slovenia's bilateral and multilateral ODA, including its humanitarian assistance. It also discusses Slovenia's approach to budget management.

2.1. ODA has been growing but is no longer on track to reach agreed targets

42. In 2010, Slovenia's total net ODA reached USD 59 million. Slovenia's ODA is predominantly multilateral (62% in 2010), of which most is Slovenia's pro-rata share of EU development co-operation. Student costs and scholarships make up a large share of Slovenia's bilateral ODA (17% of bilateral ODA in 2010). Since 2010, the MFA has managed a consolidated budget covering some bilateral and multilateral ODA expenditures. In 2010, this budget was USD 8.2 million (EUR 6.2 million).

43. Between 2004 and 2009, Slovenia succeeded in increasing its ODA volume steadily, driven by increases in its multilateral aid, but between 2009 and 2010, Slovenia's ODA fell by 14% in real terms, from USD 71 million to USD 59 million (see figure 1). This drop reflects the economic turndown, a large reduction in Slovenia's EU contribution and more accurate recording of Slovenia's ODA.

Figure 1. ODA Volume as a per cent of GNI: Not on track to meet the 2015 target



Source: OECD DAC, EU and Slovenian statistics

Note 1: This forecast was made by the Government of Slovenia to the EU in 2009

Note 2: This forecast was provided to the review team in September 2011

Note 3: This growth path is based on annual increases roughly the same each year to meet 0.33 in 2015, from the 2010 baseline.

44. With this fall in 2010, Slovenia is no longer on track to meet its ODA/GNI targets. At the EU External Relations Council meeting in May 2005, Slovenia and the other EU member states that joined the Union after 2002 committed to strive to increase their ODA to a level of 0.17% of GNI by 2010 and 0.33% of GNI by 2015. With its ODA amounting to 0.13% of GNI in 2010, Slovenia did not meet this interim

target. And, as Figure 1 shows, the MFA currently predicts that Slovenia will make only nominal increases in ODA to 2015 and so will fall far short of reaching its 0.33% target.

45. The review team nevertheless encourages Slovenia to continue to strive to increase its ODA, in line with the commitments it has made, aiming for larger increases than currently predicted. This will keep development co-operation on the political agenda and put the impetus on the MFA to improve further the strategic framework and management of these funds. Some DAC members - including Belgium and the United Kingdom - have found that enshrining ODA volume commitments in legislative or budgetary documents is a helpful tool for making sure that such commitments are met. Currently, the Slovenian national budget mentions the concept of ODA but does not enshrine the ODA/GNI commitments that Slovenia has made.

2.2. The budgeting process provides a good basis for development co-operation

46. The Government of Slovenia now has a multi-annual programme budget - a two-year rolling budget with forecasts for two further years. Annually, each year's figures are revised and the immediate year's budget is authorised by the *Act on the Implementation of the Budget*. The multi-annual framework also enables Slovenia to plan its development co-operation - including both its country programmes and its funding to NGOs - with longer time horizons. This is a valuable tool for development co-operation.

47. The aims of introducing a programme budget were to move to results-oriented budgeting and to improve coherence across ministries. The MFA's budget for ODA now results from negotiations among three ministries - foreign affairs, defence and internal security - that share one of the 16 main items in the national budget. Ensuring that sufficient funds are allocated thus requires a champion to advocate for ODA in these negotiations. In 2011, the budget for ODA was insufficient for Slovenia to make its first contribution to the European Development Fund and the MFA had to revert to the Ministry of Finance. This indicates that ODA may not have been a high priority during the budget negotiations.

48. On the basis of this budget, the MFA has introduced a multi-annual Government Action Plan (sometimes known as a "framework programme" or GAP) for development co-operation. In 2010, this included around 41% of bilateral ODA⁵ (as well as some small multilateral contributions). This is a marked change because the MFA now has a central role in programming, asking other ministries to provide financial planning for their contribution for the following two years. Previously, the MFA was largely only able to count up ODA expenditures that other ministries had already disbursed. The review team recommends that the Government Action Plan now be used as a tool for co-ordination and coherence not just in financial planning, but also in aid programming. It should also be expanded to cover a greater proportion of programmable ODA. This will be achieved, as the overall ODA budget grows, if Slovenia focuses this growth on programmable components of its ODA.

49. Although the MFA can now programme funds across years, there is no mechanism to carry over unspent funds. Lessons from DAC members indicate that Slovenia could manage this constraint through:

- **Close monitoring and management of disbursements** throughout the year, transferring funds from under-performing activities to those which can make use of funds before the year end. The Slovenian MFA made such transfers in 2010.
- **Ensuring that partners can start implementing early in the financial year.** In 2010 and 2011, delays in issuing calls for proposals and agreeing on contracts resulted in partners having six months to spend funds allocated for the year. By adjusting its timetabling, the MFA's partners will be able to start implementing agreed activities early in the financial year.

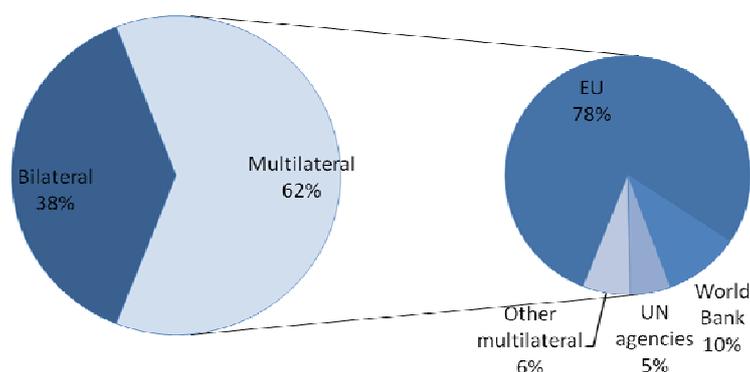
5. If administration costs are included, the GAP constitutes only around a third of bilateral ODA.

- **Allowing invoices to be submitted after the end of the financial year.** The MFA expects to receive invoices one month before the end of the financial year, so that they can be processed before the end of the year. This reduces the time available to partners for implementation.

2.3. Multilateral aid is the mainstay of Slovenia's ODA

50. Around two thirds of Slovenia's ODA is multilateral aid, and most of this is Slovenia's pro-rata share of EU's development co-operation. From 2011, Slovenia is also contributing to the 10th European Development Fund (Slovenia's total pledge is EUR 40 million). In 2010, support to the EU accounted for 78% of Slovenia's multilateral ODA (see Figure 2) or nearly half of Slovenia's total ODA.

Figure 2. Bilateral and multilateral ODA in 2010



Source: OECD DAC statistics

51. The remainder of Slovenia's multilateral ODA consists of contributions to the World Bank's International Development Association as well as small contributions to the Global Environment Facility, United Nations agencies and some regional development banks. Some of these contributions are very small and do not directly relate to Slovenia's priorities for development co-operation. For example, Slovenia inherited membership of the Inter-American Development Bank from the former Yugoslavia and decided to remain a member. The region is not a priority for Slovenia's ODA, but there is a Slovenian diaspora in the region and many Slovenian companies are active there.

52. As in many DAC members, responsibility for multilateral ODA is shared between ministries. The Ministry of Finance covers the EU, international financial institutions and regional development banks; the Ministry of Foreign Affairs covers United Nations agencies; while some other ministries are involved for more sector-specific agencies such as the World Health Organisation and the Food and Agriculture Organisation.

53. Slovenia aims to move towards a 50:50 split between its multilateral and bilateral ODA. Although this is closer to the DAC average, that average hides significant variation. Many DAC members have considerably larger ODA programmes and more staff available to manage their bilateral ODA. Some countries with medium-sized budgets have made a strategic decision to channel a large share of their ODA multilaterally, including Italy which allocates around two thirds of its ODA to multilateral organisations. The review team recommends that Slovenia pursue an approach that works for its system, size and capacity. In this context, the current balance between multilateral and bilateral ODA, of roughly 60:40 is likely to remain appropriate in the medium term. In addition, to create the space for engaging more strategically with its main multilateral partners and reduce transaction costs, Slovenia could replace smaller contributions which are not aligned with Slovenia's priorities with fewer but more substantial and more aligned contributions.

2.4. Focusing geographically and using different channels in different regions

54. The geographic allocation of Slovenia's ODA partially reflects its stated geographic priorities. There is a strong focus on Europe (particularly its priority countries in the Western Balkans: Albania, Bosnia and Herzegovina, Kosovo, Macedonia, Montenegro and Serbia) (see Figure 3). However, Moldova, a priority country in Eastern Europe, received a similar amount of ODA in 2010 as some non-priority countries in Africa and Latin America. This results from how some ODA-eligible funds which are not programmed by the MFA, notably scholarships, are allocated (and, to a lesser extent, the location of humanitarian emergencies). Focusing more on priority regions, as well as priority themes, implies that Slovenia exercises caution with agreeing to fund activities that fall outside these priorities. If future growth of bilateral ODA is channelled through the MFA, the ministry can programme funds in priority regions, thus increasing the focus of Slovenian ODA allocations on its stated geographical priorities.

Figure 3. Slovenian bilateral ODA by region in 2010: a focus on Europe



Source: OECD DAC Statistics

55. The review team considers that a focus by Slovenia on its neighbourhood matches its competencies and makes strategic sense. Most of these countries will remain eligible for ODA for some time. The exception is Croatia – the largest recipient of Slovenian ODA in 2010 – which has now graduated from the *DAC List of ODA Recipients* (effective for reporting from 2011 onwards). This will reduce Slovenia's ODA, unless the funds previously allocated for Croatia are redirected to other ODA-eligible activities. In the longer term, Slovenia will need to look beyond the Western Balkans, which is why Slovenia is also increasingly working in Eastern Europe, where its competencies can be usefully shared.

56. Slovenia is mainly reaching African countries and least-developed countries through its multilateral contributions, including through the European Development Fund and the World Bank. Since Slovenia does not have the capacity to establish bilateral programmes across Africa, the review team considers that this method is logical and should remain the mainstay of Slovenian support to Africa for the coming years. It is also consistent with the current Resolution which states that Slovenian support to Africa should be multilateral or in co-operation with other donors. Similarly, although the government has discussed branching into Northern Africa, the review team believes that this can be done through its existing multilateral partners, rather than setting up bilateral programmes. In contrast, the recent move into Cape Verde as a new programme country does not follow this logic and contributes to dispersion in Slovenia's bilateral ODA, increasing management challenges and transaction costs for the MFA.

2.5. Bilateral ODA is fragmented and implemented by a fixed group of partners

57. Slovenia's bilateral ODA – which amounted to USD 22 million in 2010 - is composed of a large number of small projects. This fragmentation results in high transaction costs (see Chapter 3) and a lack of focus that may reduce the development impact. The fragmentation is linked to several factors:

- **An absence of criteria** on how Slovenian bilateral ODA should be allocated within the current wide range of priorities in the legal foundations and strategic framework.

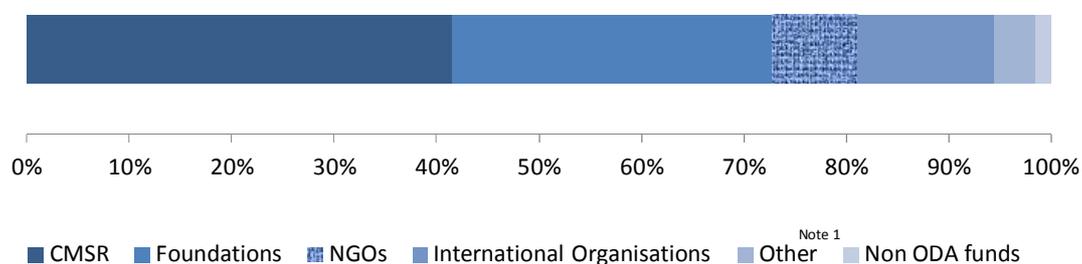
- **Less than half of the bilateral budget for ODA currently being consolidated** under the responsibility of the MFA and implemented through the Government Action Plan. This relates to the fact that much of the remainder is not programmable, but accounted for by including scholarships and other funding lines which are eligible for reporting as ODA.
- **The absence of a minimum size** for Slovenian ODA projects, many of which are stand-alone activities.

58. Slovenia's experience of managing small grants in its NGO support highlights the usefulness of moving towards fewer but larger projects. Instead of a minimum, the MFA employs a maximum size for its NGO grants, although in 2011 it raised this from EUR 40 000 to EUR 100 000. The change effectively halved the number of NGO projects the MFA funded and enabled successful NGOs to develop better proposals, thus improving the prospects for the developmental impacts of this support while also increasing efficiency for the MFA. The belief of the review team is that introducing a clear, quantified objective to reduce the number of individual interventions (i.e. not including scholarships, etc) and to increase their average size may be a useful tool.

59. Slovenia channels the majority of its programmable bilateral ODA through a fixed group of Slovenian implementing partners. For the review team, this approach raises questions about cost effectiveness and the tying status of Slovenia's bilateral development co-operation (OECD 2001) (Chapter 3 discusses how the government is working with these implementing partners, in terms of efficiency and oversight involved.) As Figure 4 shows, there are three main sets of implementing partners:

- **The implementing agent (CMSR)** receives a large share of the MFA's programmable ODA. CMSR mainly co-finances infrastructure projects in priority countries for Slovenia's ODA. Although final procurement is conducted by the country concerned, CMSR has a monopoly on implementing these types of projects.
- **The five "foundations" or mini-implementing agencies** are quasi-governmental organisations, a privileged position which has helped them to establish themselves and grow. This ODA is tied to these five specific Slovenian organisations.
- **ODA channelled to and through NGOs** can only go to NGOs registered (as associations) in Slovenia, which again has implications for the tying status of this support. There is no requirement that these NGOs should work with NGOs in developing countries, which may jeopardise the effectiveness and relevance of these contributions. Currently, support to NGOs is relatively small but has already grown significantly in the last three years.

Figure 4. Main partners involved in implementing the Government Action Plan in 2010



Source: Ministry of Foreign Affairs statistics

Note 1: "Other" includes other ministries and bodies affiliated to government.

60. Student costs and scholarships make up a large share (17%) of Slovenia's bilateral ODA but these are not "programmable" or funded through the Government Action Plan and are not always linked to Slovenia's stated priorities for international development. In 2010 most funding went to students from Croatia - soon no longer be ODA eligible. Slovenia is planning to extend scholarships to Afghanistan, Egypt and Tunisia but these are not Slovenia's priority partner countries. The MFA is aware that the development impact of Slovenia's scholarship programmes can be improved. Since it sits on the board of the public organisation that manages the main scholarships programme it has an opportunity to increase the developmental focus of the schemes. The MFA is also discussing whether it might contribute to a scholarship mechanism managed by the African Union, with the aim of improving co-ordination and reducing transaction costs. The review team welcomes these moves to strengthen the link between Slovenia's scholarships, its objectives for development co-operation and priorities in developing countries.

61. DAC members have learnt lessons on how to improve their scholarship programmes. Slovenia can avoid making the same mistakes that DAC members have made by ensuring that, where it uses scholarships as part of its ODA, they contribute to partner countries' development. In this vein, many DAC members have introduced major reforms (Box 1).

Box 1. Reforming scholarship programmes: Lessons from DAC members' experience

Most donors now acknowledge there are risks associated with providing international scholarships. Risks include a lack of coherence with the donor's or developing countries' overall priorities, inequitable distribution of aid resources, limited development outcomes and "brain drain". Some donors have responded to this by downsizing their scholarship programmes, others by re-focusing them to ensure they more effectively support developing countries' own priorities and reduce risks of brain drain by, for example:

- Focusing support on areas of study that are most applicable to developing countries' own priorities.
- Including incentives for beneficiaries to return and apply their knowledge and skills in key sectors at home.
- Supporting study at home or in the region, rather than only for study in the donor country while focusing scholarships for study abroad on higher-level qualifications that cannot be gained in the region.
- Ensuring equity and transparency in how students are selected.

DAC members who have reviewed and re-orientated their scholarship programmes in recent years include:

- New Zealand – which found it needed to better co-ordinate its scholarships offered to citizens from small island Pacific states with other providers of scholarships in the region.
- Portugal – which is focusing any scholarships for study in Portugal on higher degrees not available in home countries, while also providing scholarships and other support for universities within developing countries.
- Austria – which, on finding its scholarships were too supply driven, is now seeking to focus the subjects offered on developing countries' key challenges and priorities.

Source: OECD 2011d

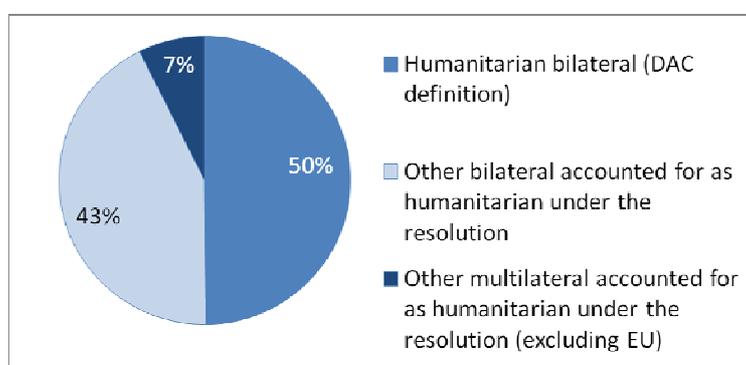
2.6. Slovenia can build on its good practices in providing humanitarian assistance

62. The Resolution stipulates that Slovenia will earmark approximately 10% of its ODA for humanitarian and post-conflict assistance. Using its own broad definition (see Chapter 1), Slovenia provided USD 2.5 million (EUR 1.9 million) in bilateral and multilateral humanitarian and post-conflict assistance in 2010, 4.3% of its total ODA. However, as Figure 5 shows, only around half of this is humanitarian assistance using the DAC definition. Like other EU member states, Slovenia's contribution also funds the humanitarian aid provided by the European Humanitarian Aid Department (ECHO). This is recorded as multilateral aid in DAC statistics but Slovenia can also highlight these contributions in reporting to Parliament and the public on how it supports the humanitarian system.

63. In its responses to humanitarian emergencies, the review team recommends that Slovenia build further on existing good practices:

- **The emergency response envelope.** This fund, though quite small at USD 225 166 (EUR 170 000) in 2010, enabled Slovenia to support sudden onset emergencies according to good humanitarian donorship principles. By pre-approving these funds for use in response to flash appeals, the process for final approval is streamlined and disbursement is relatively fast (less than a month).
- **The civil protection unit.** This unit, under the remit of the Ministry of Defence, is: i) deployed in emergencies in the region; and ii) provides training to developing countries' own civil protection units. It works through the EU's Monitoring and Information Centre, which co-ordinates responses by EU member states. It applies humanitarian principles including the Oslo Guidelines (on the use of military and civil defence assets in disaster relief). Slovenia no longer deploys its civil protection staff to far-off emergencies, as this is costly and does not provide a quick response or draw on Slovenia's competencies.

Figure 5. Humanitarian aid: Slovenia uses a broader definition than the DAC



Source: Ministry of Foreign Affairs Statistics

64. The review team encourages Slovenia to resist pressures to provide its humanitarian aid in ways that are not aligned with good humanitarian donorship, such as the increasing tendency to ship Slovenian goods in response to emergencies. A recent example includes shipping Slovenian parts to Haiti to build a school there, a more expensive approach than drawing on local skills and materials. Good humanitarian donorship stresses the importance of in-kind emergency aid being well managed and targeted. Otherwise, it can slow down the humanitarian response by clogging up airports with unlabelled, unsorted and inappropriate goods and by undermining local markets (OECD 2012 forthcoming). Slovenia's own experiences have highlighted that tied aid in-kind, particularly when shipped to far-off locations, is costly and less effective and efficient than providing funds through established systems for supporting emergency responses.

2.7. Recommendations

65. Slovenia has made a good start in developing its ODA programme. To build on the progress already made, the special review team recommends that Slovenia:

- Strive to increase its total ODA volume. Slovenia should get back on a stronger growth path towards reaching its commitment to achieve 0.33% of GNI and consolidate more of its ODA under the management of the MFA.
- Retain the current balance between bilateral and multilateral ODA, while also phasing out its small multilateral contributions which are not aligned with Slovenia's priorities and focusing on fewer but larger and more aligned multilateral contributions.

- iii) Continue to focus its bilateral ODA in neighbouring regions while using its multilateral aid to support least-developed countries and Africa.
- iv) Improve cost effectiveness and aid quality by increasing transparency and openness in the channelling of its bilateral ODA, as well as increasing the proportion of its aid which is untied. This will require reviewing how and through what entities Slovenia channels its bilateral ODA.
- v) Review the use of ODA-eligible scholarship programmes to ensure they reinforce other parts of Slovenia's ODA portfolio and support areas of study most applicable to developing countries' own priorities.
- vi) Focus its humanitarian assistance by working through a limited number of internationally co-ordinated funding mechanisms which allow it to fund in line with the good humanitarian donorship principles, building on its civil protection unit's activities and resisting providing aid in-kind, especially to far-off locations.

CHAPTER 3

ORGANISATION AND MANAGEMENT

66. This chapter describes the institutional set up for Slovenia's ODA, focusing on how the MFA is organised and Slovenia's business model for managing its ODA programme. It also considers issues of performance management.

3.1. Slovenia is building a co-ordinated structure that should help it to deliver better aid

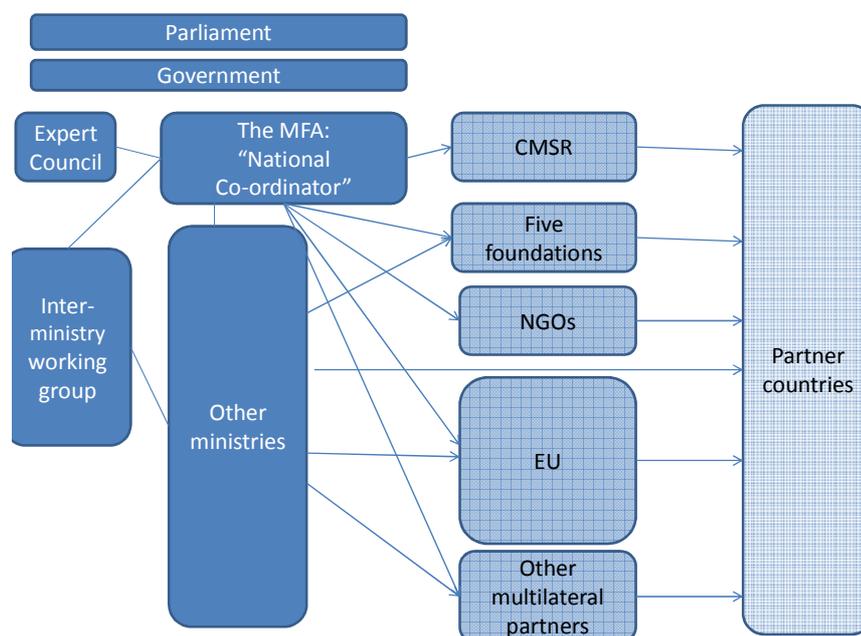
67. The MFA is National Co-ordinator for ODA and has taken several steps to consolidate its role:

- The State Secretary at the Ministry of Foreign Affairs, who deputises for the Minister of Foreign Affairs, is formally Minister for International Development Co-operation and Humanitarian Aid. This provides Slovenia with clear responsibility at the political level for the ODA programme.
- Since July 2011, the ODA programme has been managed by one of five directorates within the ministry (it was previously a department and, before then, a unit). This organisational upgrading strengthens the position of the ODA programme within the MFA and across government.
- Since 2010, the MFA has produced a Government Action Plan which guides implementation of the MFA's budget for ODA, thus improving and ensuring greater coherence in ODA programming. The first plan covered 2010, the second plan covers two years: 2011 and 2012.

68. By strengthening the MFA, Slovenia has been able to move away from discussions about establishing a separate government agency to manage its ODA programme. The review team endorses this decision which seems appropriate, given the size and make up of Slovenia's programme.

69. There remains, however, many other players involved in Slovenia's ODA programme (see Figure 6). The review team suggests that more can, and should, be done to consolidate the MFA's position as National Co-ordinator. There is a need to clarify its role and responsibilities within the *International Development Cooperation of the Republic of Slovenia Act*. The government should consolidate a higher proportion of the budget for ODA in the MFA which it will be able to do as the overall budget grows. The new Directorate also needs to strengthen links with related areas within the MFA, including global challenges, EU relations and the desks for the Western Balkan and Eastern European regions. In addition, further reflections on some other parts of Slovenia's aid system are also necessary:

- **The Interagency Working Body** provides a good foundation on which to work for both joined-up programming and policy coherence for development, but it is not yet fully utilised and its role is not fully defined.
- **The Expert Council** advises the minister but its mandate and procedures have not yet been fully defined and there are some misunderstandings about its role and the selection of its members.
- **The group of implementing partners'** special role within the system is increasingly questioned.

Figure 6. How different parts of the system interact

3.2. The MFA needs to manage important human resource challenges

70. A small team is responsible for Slovenia's ODA. The MFA's Directorate for Development Co-operation and Humanitarian Aid has a staff of 13. Two people in the Ministry of Finance manage contributions to the EU and development banks. Eight people in other ministries manage some technical co-operation, multilateral contributions or humanitarian aid, though not full time. There was an expectation that some other ministries would transfer posts to the MFA alongside the funds that were consolidated there, but, this has not yet happened. The review team encourages Slovenia to reflect on whether such transfers can now take place, in order to support the MFA in its role as National Co-ordinator.

71. With the economic downturn, there are restrictions on public sector recruitment in Slovenia until 2013, so the MFA does not expect its staff numbers to increase in the medium term. The review team therefore encourages Slovenia to focus on managing, retaining and investing in the people it has. The new Directorate faces a high level of staff turnover as many staff rotations and leaves of absence have coincided. Since the MFA needs to establish new systems, strategies and guidance, the ministry needs a good complement of knowledgeable staff in place. In this context, the MFA could focus more on:

- **Managing the downside of regular staff turnover.** Transitional measures to minimise the impact of staff changes include borrowing staff for short periods, delaying planned rotations or using internships and consultancies.
- **Investing in upgrading skills and retaining staff.** The MFA should implement its training programme for development co-operation, focusing on practical skills, including project cycle management and performance measurement, and backing this up with manuals for staff to consult. The target audience for this training should be core MFA staff, economic attachés in relevant embassies and staff in other MFA directorates and ministries. Attractive career incentives and recognition may encourage staff not to rotate out of the Directorate too quickly.
- **Structuring the Directorate realistically.** Plans to expand on the current three units within the new Directorate may be premature, given the small team size. Numerous functions need to be

covered – including planning, implementation, humanitarian aid, monitoring and evaluation, and general liaison – and the current team needs to be able to work across a variety of issues.

72. For the medium term, the review team encourages the MFA to pursue plans to establish a cadre of development professionals, recruited as officials. This will provide the ministry with a core group of staff who are knowledgeable about development co-operation principles, standards, methods and procedures. To support this, the MFA needs to make development co-operation an attractive career choice with good options for advancement and interesting postings. Within the MFA, development should be an equally valid career choice as diplomacy.

3.3. The current business model is atomised and generates high transaction costs

73. Slovenia's programme for development co-operation and humanitarian assistance is composed of many separate activities (excluding its support to the EU), which are directed through different sets of organisations and are planned, managed and monitored using different procedures, using different standards and scrutiny. For its bilateral ODA, Slovenia has a range of programming processes and approaches which have grown up around different relationships with different organisations (Table 1).

Table 1. How the Slovenian government works with key implementing partners for bilateral ODA

Partner organisation	Relationship and procedures	Recent developments
<p>Centre for International Co-operation and Development (CMSR) A private, not-for-profit institute authorised to act on behalf of the state.</p>	<p>CMSR proposes a programme of individual activities to the MFA, rating each one individually. The MFA decides - for the programme countries through a joint committee with partner officials – which activities to shortlist. The MFA provides a two-year contract to CMSR to implement (procure) these activities.</p>	<p>Funds are now disbursed project by project (as opposed to paying the 1-2 year contract for a whole range of projects up front). Administrative costs paid by the government are capped at 9%.</p>
<p>The five foundations: i) International Trust Fund for Demining and Mine Victims Assistance (ITF) (founded in 1998) ii) Centre for Excellence in Finance (CEF) (2001) iii) Foundation Together (2002) iv) Centre for European Perspective (2004) v) Centre for eGovernance Development (2008)</p>	<p>The government, a co-founder of these foundations, supports each differently. In many cases, it will preside or be a member of the board, as well as a main funder. Some foundations apply for funding for individual projects while others have their full work programme funded. Most are supported in their administration costs or through provision of free office space.</p> <p>Until 2011, the MFA did not ask for detailed information on how much of the funds would be used for programmes and how much for administration.</p> <p>In the case of Foundation Together, the government is the largest donor and supports the foundation's annual work programme. In contrast, for ITF, the government provides the offices but most project funding now comes from other donors.</p>	<p>No more than 40% of funding from the MFA (not including the free office space also provided) can be used for administrative (rather than programme) costs.</p> <p>The MFA is also bringing in standard project proposal forms for non-core funding, which include logical frameworks.</p> <p>Two of the foundations are seeking to change their legal status and become international organisations; these two now receive substantial funding from outside Slovenia.</p>
<p>NGOs Applying NGOs must be registered in Slovenia. (In Slovenia, NGOs are registered as associations because there is currently no law regulating NGOs).</p>	<p>The MFA's main annual call for proposals seeks projects in each of the three priority regions, plus humanitarian assistance and awareness raising. If an NGO wins funding, it implements and then submits receipts for all expenditures, one month before the end of the financial year, in order to be reimbursed. NGOs are expected to co-finance 10% of projects supported. The MFA has also run a call for proposals to match funding to NGOs receiving EU funding.</p>	<p>The MFA raised the maximum grant size from EUR 40 000 to EUR 100 000 and moved from inviting bids for single-year projects to projects for two or three years.</p>

74. The review team has noted two main challenges with this business model. First, the many activities are not necessarily connected and, therefore, do not add up to a greater and more coherent whole – which means that Slovenia may not be capturing synergies or getting maximum development results for its funds. Second, the transaction costs for staff and partners involved are relatively high, particularly given the lack of guidance for staff in how to apply the different procedures. Both issues suggest that Slovenia should adjust its business model in order to improve the efficiency and effectiveness of its ODA.

75. These challenges have also been highlighted in recent reports by the Slovenian Court of Auditors (SCA 2011) and one focused on the foundations (see Table 1), commissioned by MFA (Deloitte 2011). These studies note a need for greater consistency in programming, more guidance for staff, greater consideration of the efficiency and effectiveness of key partners and more strategic leadership from the MFA to bring coherence to the portfolio of activities.

76. To address these issues, the review team recommends that Slovenia revisit its business model in terms of who it works with and how it does so. This would also benefit many of its key partners in the long term; some foundations would welcome reform because their current status excludes them from accessing some international funding. While there is no blue print for what business model to adopt, and the functioning of any system should be periodically reassessed, the following principles are useful references:

- **Programming for coherence.** Rather than collating a variety of projects conducted by various partners, Slovenia should set clear objectives about what it wants to achieve with the budget it has and then design its systems and choose partners that can help it deliver. This is a more results-oriented approach.
- **Increasing efficiency, competition and transparency.** While in some cases the MFA has established a threshold for administrative costs, in others it has been sponsoring organisations which, as a result, have not been under pressure to improve efficiency. The reliance on a set group of implementing partners and a lack of open tendering for more than 90% (SCA 2011) of programmable bilateral ODA also has implications for value for money for Slovenian tax payers.
- **Working jointly with others.** Slovenia is ready to work jointly with other donors, both within but also beyond the EU. Its interest in working with Sweden and the European Commission in Moldova demonstrates this readiness. Slovenia's business model should ensure that its systems and procedures - including rules relating to audit, procurement and reporting – facilitate such collaboration with other donors.

77. In contrast to its long-standing and close relationship with the five foundations, the MFA's expanding relationship with Slovenian NGOs is more recent. The relationship is based on provision of individual small grants and detailed financial checking, through a series of calls for proposals (see Table 1). Calls for proposals have the advantage of being open and transparent but are only one way that DAC members engage with NGOs (see Box 2). Calls for proposals also have the disadvantages of being labour intensive and encouraging short project-based relationships, rather than more strategic partnerships. The review team encourages Slovenia to build on its progress so far (in raising the maximum project size and providing multi-year support) by considering how the MFA might adopt some more strategic approaches to its relationships with NGOs and how Slovenia can increase its linkages with NGOs in developing countries, which are not yet strong. Some DAC members support NGO umbrella groups or platforms in order to streamline their support to civil society organisations in developing countries.

78. The review team also encourages Slovenia to strive for greater coherence in its multilateral aid. The approval process for multilateral contributions already includes consultations with other ministries but this could be extended, to ensure that allocations support Slovenia's strategic objectives and enable Slovenia to engage with and influence its multilateral partners. For its support to the EU, Slovenia can use

its existing co-ordinating mechanisms and rolling 18-month plans as tools for influencing policies and decisions. As noted in Chapter 1, a strategy would help Slovenia get the most out of its multilateral ODA.

Box 2. Structuring partnerships with NGOs

A 2010 study found that most DAC members use a range of approaches to working with NGOs. These approaches can be used to support NGOs both at home and in developing countries.

Calls for Proposals: (e.g. France, Japan and the Netherlands) Calls for proposals are most commonly used when focused on a specific area. Donors consider them a useful tool as they can focus NGOs work on donor objectives and because they create a competitive environment amongst NGOs. However, especially where there are a number of different calls for proposals, it can lead to high transaction costs for donors and NGOs. NGOs also complain about inconsistent timing and unclear guidance for calls for proposals. To encourage transparency, donors are increasingly allowing a budget line for operational or administration costs of NGOs to be included in funding proposals.

Multi-year Partnership Agreements: (e.g. Belgium, Denmark, Ireland and Switzerland) This support is often core, but can also be linked to specific areas of work. Core support is appropriate when the NGO has clear objectives which the donor supports and when the donor has confidence that the NGO can deliver results effectively and efficiently. After an initial investment in agreeing the partnership, donors can have confidence in the NGO in terms of value for money and accountability. The approach also improves the financial stability of the beneficiary NGOs, allows them to embark on multi-annual programmes and innovate. A disadvantage is that it can favour larger national NGOs.

Individual project and programme funding: Some donors also fund NGOs outside of either a grouped call for proposals or partnership agreements. They may seek out partners to work in specific areas or may respond to individual funding requests. Usually this accounts for a smaller part of support to NGOs.

Source : OECD 2011d

79. Irrespective of which business model Slovenia chooses, the review team encourages the government to develop clear procedures and guidance for its staff and partners, without which there is scope for adopting inconsistent approaches and duplicating work. Although MFA has limited staff capacity, investing in establishing key procedures, systems and guidance will quickly bring returns. Slovenia can draw on the experience of other donors; the EU in particular has developed guidance for specific programming areas which member states can adapt to their own context.

3.4. Slovenia needs a system for monitoring performance, learning and knowledge management

80. Comparative international experience highlights the importance for donors of putting systems in place for monitoring and evaluating. This is important for two reasons. First, monitoring and evaluating performance helps to achieve good results. Monitoring helps to identify what is working and where there are problems, so that adjustments can be made. Evaluation and monitoring are useful to inform the design of future activities and policy. Second, monitoring provides assurance that funds are being well used and well managed, which is important for the government and tax payers. A well-designed results-based management system can fulfil both these needs.

3.4.1. Getting the basics for good monitoring right

81. The MFA acknowledges that monitoring and evaluation functions are not yet up to standard and that they need to be given high priority. Slovenia is not the only country struggling to make results-based management a reality. But it does have the advantage that it can draw on other donors' experience and avoid making the same mistakes. The review team therefore encourages Slovenia to tackle this task from a results-oriented perspective, i.e. it should avoid over focusing on monitoring inputs and implementation, and focus instead on monitoring results (Zall and Rist 2004). Box 3 outlines some principles of results-based management.

82. Understanding progress is only possible where there are clear objectives. As stressed in Chapter 1, the review team recommends that Slovenia clarify its strategic directions which should be outcomes and impacts, such as reducing poverty. They should not be targets about how much money is to be spent, although they should be used to inform allocation decisions, but should set out what Slovenia wants to achieve with its ODA. Slovenia also needs to define clear objectives for its thematic priorities and priority regions. Similarly, it should ensure that all activities supported have clearly defined objectives that contribute to achieving the partner's higher-level objectives and provide a basis for monitoring and evaluating progress. Without a planning process which identifies clear objectives with related indicators and baseline, it is very difficult to monitor, i.e. good project and programme planning is a crucial foundation for monitoring. Figure 7 illustrates how higher-level objectives should help to focus and identify activities, and how progress towards objectives at the activity level should contribute to achieving higher-level objectives.

Box 3. Foundations of results-based management

Formulating objectives: Identifying in clear and measurable terms the results sought and developing a conceptual framework for how these results will be achieved.

Matching objectives with means: Ensuring that objectives are reasonable for the resources available and revisiting either the resources or the objectives to ensure alignment.

Identifying indicators: For each objective, specifying exactly what is to be measured, and how.

Establishing baselines and setting targets: For each indicator, specifying the baseline value and expected or planned level of result to be achieved and by when.

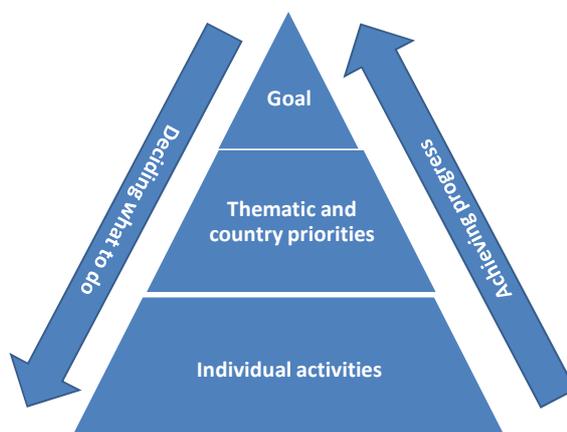
Monitoring results: Developing standards, procedures and systems for regular data collection on results achieved.

Reviewing and reporting results: Comparing actual results to targets and other performance criteria.

Integrating evaluations: Using information from evaluations to complement monitoring information.

Using performance information: Using information from performance monitoring and evaluation sources for internal management learning and decision-making and for external reporting to stakeholders on results achieved.

Figure 7. The two way relationship between high-level goals and objectives of individual activities

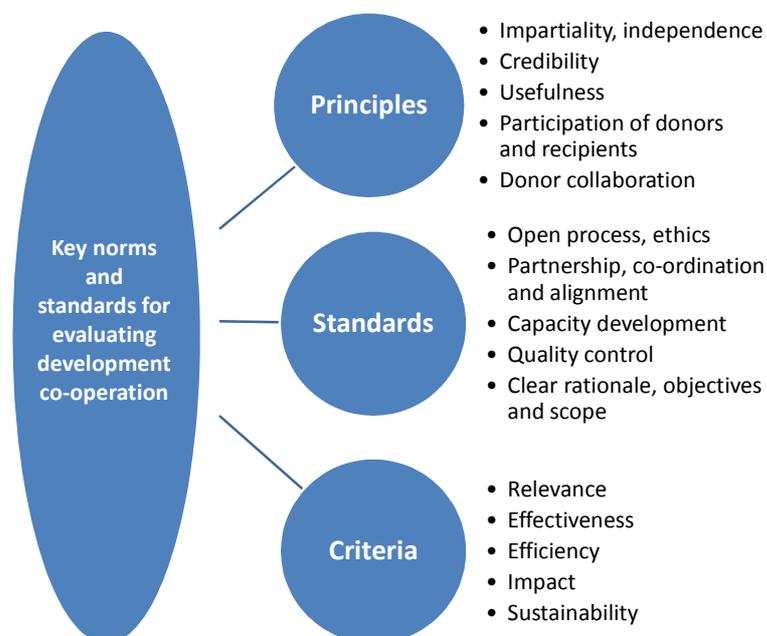


3.4.2. Moving towards a culture of evaluation and learning

83. In the medium-term, the review team also encourages the MFA to develop an evaluation function appropriate for the size and focus of its ODA programme. This will involve being pragmatic about when self evaluations will be sufficient and when limited resources for independent evaluations should be used (e.g. to examine efforts across activities or to look at major themes or partnerships). Given the size of its ODA programme, it is unlikely that Slovenia will be able to maintain an in-house evaluation capacity but may make use of consultants to deliver independent evaluations, with in-house capacity focused on

contracting and quality control (OECD 2010). As Slovenia considers how best to proceed, it can draw on the wealth of learning collected from DAC members and codified in the key norms and standards (OECD 2011e) (see Figure 8).

Figure 8. Key norms and standards for evaluating development co-operation



Source: Based on OECD 2011e.

3.5. Recommendations

84. Slovenia has started to build an organisational structure and management system to implement its development co-operation objectives and manage the ODA programme. To continue along this path, and increase efficiency and effectiveness, the special review team recommends that Slovenia:

- i) Strengthen its capacity to manage ODA. In the short term, the MFA should minimise the impact of regular staff turnover with good handovers, increasing incentives for staff to stay and dedicating time to producing key guidance documents. In the medium term, the MFA can establish a development specialism within the ministry and make development an attractive career choice.
- ii) Revise its business model for bilateral ODA, in terms of whom it works with and how it does so. To ensure maximum impact, Slovenia should ground its approach in the principles of coherence, transparency and openness to working with others.
- iii) Review how it wishes to engage with NGOs, both in Slovenia and in developing countries, and consider which approaches to structuring its partnerships with NGOs may be most appropriate, including in terms of helping to achieve Slovenia's strategic objectives.
- iv) Give high priority to establishing a clear and consistent approach to planning, monitoring and evaluating which starts from the strategic directions for Slovenia's development co-operation and identifies clear, time-bound objectives at the activity level, as well as indicators to assess progress.
- v) Look towards other small donors to see how it can introduce an appropriate evaluation function and emphasise working with others – both developing countries and other donors – as it does so.

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