SWITZERLAND

Development Assistance Committee (DAC)
PEER REVIEW

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where the governments of 30 democracies work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

The OECD member countries are: Australia, Austria, Belgium, Canada, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Korea, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, the Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Commission of the European Communities takes part in the work of the OECD.

OECD Publishing disseminates widely the results of the Organisation's statistics gathering and research on economic, social and environmental issues, as well as the conventions, guidelines and standards agreed by its members.

Also available in French under the title:

Examen du CAD par les pairs
Suisse

The Peer Review Process

The DAC conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support and is responsible for developing and maintaining the conceptual framework within which the Peer Reviews are undertaken.

The Peer Review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as "examiners". The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Secretariat in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Belgium and the Netherlands for the Peer Review on 14 October 2009.

In order to achieve its aims the OECD has set up a number of specialised committees. One of these is the **Development Assistance Committee**, whose members have agreed to secure an expansion of aggregate volume of resources made available to developing countries and to improve their effectiveness. To this end, members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.

The members of the Development Assistance Committee are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, the United Kingdom, the United States and the Commission of the European Communities.

ACRONYMS

AAA	Accra Agenda for Action
CDM	Clean Development Mechanism
CGIAR	Consultative Group on International Agricultural Research
CH	Confederation Helvetica / Swiss Federation
CIS	Commonwealth of Independent States
CERF	Central Emergency Response Fund
CPA	Country Programmable Aid
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DRR	Disaster Risk Reduction
EIA	Environmental impact assessment
EU	European Union
FAO	Food and Agriculture Organization
FDEA	Federal Department of Economic Affairs
FDFA	Federal Department of Foreign Affairs
FDRF	Foreign Disaster Relief Fund
FOEN	Federal Office for the Environment
FOM	Federal Office for Migration
GBS	General Budget Support
GDP	Gross domestic product
GEF	Global Environment Facility
GFATM	Global Fund to fight AIDS, Tuberculosis and Malaria
GFDRR	Global Facility for Disaster Reduction and Recovery
GHD	Good humanitarian donorship
GNI	Gross national income
GPCC	Global Programme for Climate Change
ICRC	International Committee of the Red Cross
IFIs	International financial institutions
IKEZ	Inter-departmental Committee on Development and Co-operation
IOM	International Organization for Migration
LDC	Least developed country
MCDA	Military and Civil Defence Assets
MDG	Millennium Development Goal
MIC	Middle-income country
MOPAN	Multilateral Organisations Performance Assessment Network
NGO	Non-governmental organisation
NSDI	Albania’s National Strategy for Development and Integration 2007-2013

OCHA	Office for the Co-ordination of Humanitarian Affairs (United Nations)
ODA	Official development assistance
OSCE	Organization for Security and Co-operation in Europe
PCD	Policy Coherence for Development
PD V	Political Affairs Division V (of the FDFA): Sector Policy Co-ordination
PD IV	Political Affairs Division IV (of the FDFA): Human Security
PIU	Parallel implementation unit
PPDP	Public-Private Development Partnership
PRSP	Poverty Reduction Strategy Paper
SDC	Swiss Agency for Development and Co-operation
SEA	Strategic environmental assessment
SECO	State Secretariat for Economic Affairs
SHA	Swiss Humanitarian Aid Unit
SMEs	Small and medium-sized enterprises
StAR	Stolen Asset Recovery
UN	United Nations
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNIDO	United Nations Industrial Development Organization
UNISDR	United Nations International Strategy for Disaster Reduction
UNODC	UN Office on Drugs and Crime
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
WFP	World Food Programme

Signs used:

CHF	Swiss Francs
EUR	Euros
USD	United States dollars
( )	Secretariat estimate in whole or part
-	(Nil)
0.0	Negligible
..	Not available
…	Not available separately, but included in total
n.a.	Not applicable

Slight discrepancies in totals are due to rounding.

Exchange rates (CHF per USD) were:

2006	**2007**	**2008**
1.2532	1.1998	1.0966

Switzerland's aid at a glance

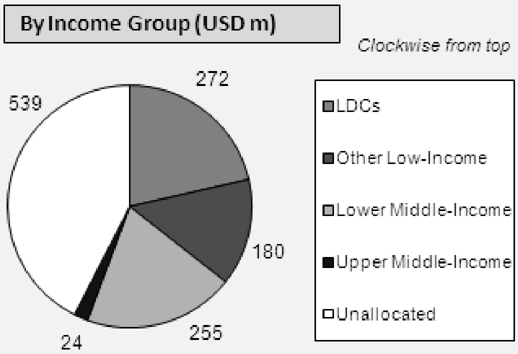
SWITZERLAND

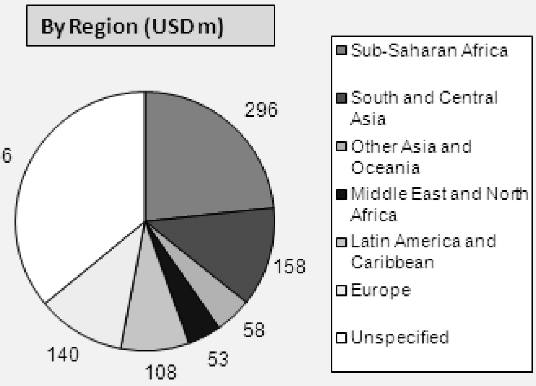
Gross Bilateral ODA, 2006-07 average, unless otherwise shown

Net ODA	2006	2007	2008 (p)	Change 2006/07
Current (USD m)	1 646	1 685	2 016	2.3%
Constant (2007 USD m)	1 750	1 685	1 794	-3.7%
In Swiss Francs (million)	2 063	2 022	2 211	-2.0%
ODA/GNI	0.39%	0.38%	0.42%	
Bilateral share	76%	75%	77%	

(p) - preliminary

Top Ten Recipients of Gross ODA (USD million)	
1 Serbia	73
2 Nigeria	26
3 Tanzania	25
4 Mozambique	23
5 Burkina Faso	21
6 Viet Nam	19
7 India	19
8 Afghanistan	19
9 Bosnia and Herzegovina	18
10 Nepal	18
Memo: Share of gross bilateral ODA	
Top 5 recipients	13%
Top 10 recipients	21%
Top 20 recipients	33%





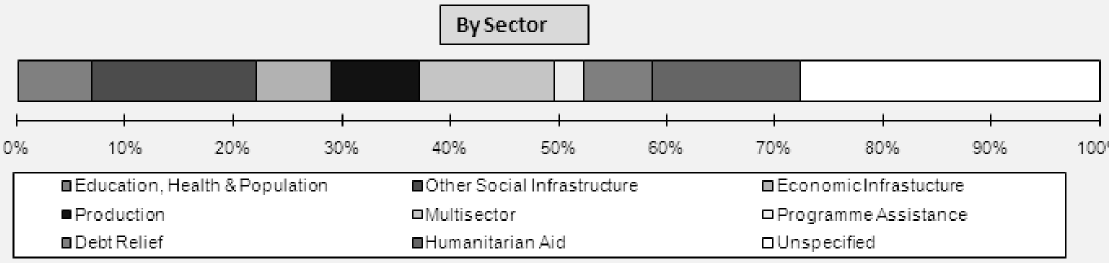


Table of contents

Chapter 4
Organisation and Management

Chapter 5
Aid Effectiveness

Chapter 6
Special Issues

Tables

Figures

Boxes

DAC's MAIN FINDINGS AND RECOMMENDATIONS

Overall framework for development co-operation

Legal and political orientations

A strong legal foundation

Switzerland has a long tradition of international assistance, especially in humanitarian aid. Its reputation amongst the global aid community is of a constructive donor, actively contributing to international thinking on ownership and areas such as governance and fragile states. A combination of solidarity and enlightened self-interest, enshrined in the 1999 Federal Constitution, drives its development co-operation policy. Switzerland recognises that solidarity is crucial in an increasingly inter-dependent world, and is thus committed to delivering more and better aid.

Two federal acts underpin the Swiss aid programme, most important of which is the *Federal Act on International Development Co-operation and Humanitarian Aid* (1976). This act outlines the objectives for Switzerland's international assistance to the South, while providing flexibility in adapting to the evolving international co-operation context. Development co-operation with Eastern Europe and the Community of Independent States is shaped by specific legislation enacted in 1995 and renewed in 2006 for the next ten years. These two federal acts provide for multi-annual funding for official aid in the form of framework credits submitted to parliament. Each framework credit is justified by a Federal Council Bill defining the strategic orientations, objectives and expected results of the programme in a specific geographic or thematic area.

Institutional system: strengthening cohesion

Two institutions share the responsibility for defining and implementing the Swiss aid programme: the Swiss Agency for Development and Co-operation (SDC) within the Federal Department of Foreign Affairs (FDFA) and the State Secretariat for Economic Affairs (SECO) within the Federal Department of Economic Affairs (FDEA). Together they manage around 80% of the development co-operation programme (with SDC managing 66.4%). Other institutions involved include the FDFA's Political Affairs Division IV (peace and human rights); the Federal Office for Migration (refugees); and the Federal Department of Defence, Civil Protection and Sports (peace promotion initiatives). The Inter-departmental Committee on Development and Co-operation (IKEZ), chaired by SDC, aims to co-ordinate departments and federal offices involved in the Swiss aid programme; and the Advisory Committee on International Development Co-operation aims to advise and foster consensus on key orientations of the aid programme. This institutional split between two departments is seen as conducive to political support in the Swiss consensus-oriented system: having two ministers dealing with development co-operation out of seven ministers in the Federal Council raises its profile in government discussions. At the same time, the split does lead to administrative fragmentation of the aid system. This poses particular challenges for maintaining a strategic, unified vision for the aid programme and ensuring aid effectiveness. It requires strong co-ordination between the two ministries and continuous efforts to diminish duplication and associated transaction costs, and to build synergies where opportunities arise.

Policy framework: creating a strategic, unified approach

Switzerland is taking steps to develop a more strategic approach by increasing the cohesion of its programme. Two bills jointly presented to parliament in 2008 – one on technical co-operation and financial assistance for developing countries and the other on financing economic and trade policy measures for development co-operation – provide direction for the entire aid programme. The bills outline three strategic objectives and six priority areas. These three strategic objectives are aligned to Swiss federal foreign policy objectives. They are: i) achieving the Millennium Development Goals and reducing poverty; ii) promoting human security and reducing security risks; and iii) contributing to pro-development globalisation. This three-fold approach provides a balanced overall framework for whole-of-government engagement. It is also in line with Switzerland's multi-stakeholder approach. In the coming years, however, Switzerland will need to pursue its efforts towards a consistent strategic approach by:

i. Confirming poverty reduction, including equitable and sustainable globalisation, as the overarching objective for Switzerland's development co-operation programme. This would help ensure an explicit poverty reduction focus in Swiss co-operation with Eastern Europe and other middle-income countries where the transition to democratic systems and economic growth are the main objectives.

ii. Reducing the number of themes within and across institutions and further integrating cross-cutting issues into the aid programme. Despite efforts to strengthen its focus, Switzerland's aid programme still has a high number of sectors and cross-cutting issues. Targeting fewer themes with appropriate resources would increase Swiss impact and help maintain its expertise and high profile in certain areas, such as engagement in fragile states. The annual progress report on gender should be a useful tool to monitor progress in implementing the gender equality policy.

iii. Strengthening the strategic vision based on Swiss added value. Switzerland should consider how Swiss interests and characteristics influence its positioning and areas of engagement. For instance, Switzerland actively contributes to international thinking on partner country ownership and areas such as governance where its added value is recognised. Switzerland should strike a balance between its comparative advantages and the need to address emerging issues and engage in new areas, while taking into account the Accra Agenda for Action requirements to align with partner country systems and to harmonise with other donors.

The need to communicate results

Switzerland needs a long-term communication vision in order to boost public and political support for the aid programme. Like other donors, Switzerland finds it difficult to balance the need for its impacts to be visible with its commitment to applying the aid effectiveness principles. While continuing FDFA's event-related communication, Switzerland should step up its efforts in public information and awareness, where SDC and SECO have key, co-ordinated roles to play. Switzerland should shape its communication more systematically around the impact of its programmes which are aligned to partner countries' priorities and co-ordinated with other donors, while emphasising that it takes time to achieve development results. The 2008 report on how to make aid effective in the water sector is a good example of a relevant approach.

Promoting policy coherence for development

Since the early 1990s, Switzerland's Federal Council and parliament have emphasised the need for the country's domestic and foreign policies to be coherent with development goals. The Swiss vision for an approach to developing countries that relates to "the totality of Switzerland's political, economic and social relations with these states" was formulated in the *Guidelines North-South* in 1994. At the same time Switzerland acknowledges that its contribution to development is linked to its own well-understood self interest. This vision is positive, as is the recognition that policy coherence means prioritising among many – and sometimes conflicting – political views and interests. However, this vision is unevenly implemented, largely because the concept of policy coherence for development is not yet widely understood (even within the administration). It needs to be more clearly distinguished from the internal coherence of development co-operation. Switzerland's requirement to assess policies and laws for their effect on development should be based on the concept of policy coherence for development as defined in the *Synthesis report on Policy Coherence for Development*.

Switzerland has made significant progress in bringing areas such as trade, taxation and the recovery and restitution of stolen assets in line with its commitment to development. Swiss consensus culture entails three inherent institutional elements, all of which provide opportunities to foster coherence. Firstly, consensus decisions by the Federal Council and the drafting of bills require an extensive formal process of public and private sector consultation, including with SDC and SECO. Secondly as mentioned above, Switzerland's institutional set-up means that two of the seven councillors have an inherent interest in ensuring that the Federal Council's decisions take a development perspective. Thirdly, since the last peer review, new inter-departmental agreements are being concluded between the FDFA and other departments to approve sector strategies with international implications (currently health, research and climate) and for which federal departments other than the FDFA are primarily responsible. However, there remain two institutional challenges for Switzerland. Firstly, the success of these channels in achieving policy coherence still depends on how effectively they are used and on the willingness of ministries to incorporate development concerns when drafting laws. The migration example shows how this can sometimes be a challenge as, indeed, it is for other donors. Secondly, there is no body that can rectify any lack of consideration given to coherence issues through arbitration before matters reach the council. IKEZ only has a mandate to assure (internal) policy coherence within the aid programme, and not to ensure the coherence of other policy areas with development goals.

Switzerland is also encouraged to take a more systematic approach to monitoring whether and how domestic and foreign policies take account of development policy. To do so, it can build on its work on reporting the impact of Swiss policies on poverty reduction and pro-poor globalisation, and take advantage of the work of other donors and the OECD. Furthermore, it should tap into the expertise and analytical capacity within and outside government to monitor the impact of policies and formulate recommendations to be fed into policy-making processes. This might imply giving an additional mandate and resources to an existing body – such as IKEZ or the Advisory Committee – or establishing a new unit dedicated solely to this task.

Recommendations

The DAC welcomes Switzerland's efforts to improve strategic cohesion and coherence in its development support. In pursuing these efforts, it should:

- State more explicitly that poverty reduction, including equity and sustainability, is the overarching goal for all Swiss development co-operation.
- Reduce further the number of themes and integrate cross-cutting issues into the aid programme.
- Reinforce public and political support for development co-operation by communicating better the impacts of Swiss development activities, taking a longer-term vision and emphasising that these impacts are usually achieved most effectively in close partnership with other stakeholders.
- Ensure that development concerns are heard in government and parliamentary decision-making processes, and that good use is made of inter-departmental agreements to promote development concerns in domestic and foreign policies. Identify or establish a high-level institutional mechanism for this purpose with the capacity to arbitrate when there are conflicting interests.
- Improve the measurement, monitoring and reporting of the impact of Switzerland's domestic and foreign policies on its development efforts and results, using internal and external expertise and experience.

Aid volume, channels and allocations

Switzerland's aid volume was USD 2.02 billion in 2008, a real increase of 6.5% since 2007. Its share of gross national income allocated to official development assistance reached 0.42%, surpassing Switzerland's Monterrey target of 0.4%. Switzerland's financial planning for 2009 and beyond is based on an ODA/GNI ratio of 0.4%. Meanwhile, as requested by parliament, the Federal Council is preparing a proposal for a growth path towards a 0.5% ODA/GNI ratio by 2015. Setting this target would be welcome, especially seen against the current global economic downturn and increased budgetary pressure. It is also timely, in that Switzerland's ODA/GNI ranking within the DAC has fallen from 9 to 12 since the last peer review and its ODA/GNI ratio is now below the DAC average. Swiss increases in ODA over recent years have primarily involved bilateral debt relief and costs related to asylum seekers, rather than being additional country programmable aid.

The need for more clearly-focused bilateral aid

In its financial allocations, Switzerland puts a strong emphasis on least developed (41% of gross disbursements of bilateral ODA) and other low income countries (24%), and continues to honour its commitment to Africa (40%). Parliament enacted bills in 2008 which established a clear division of labour between SDC and SECO, and also requested them to reduce their priority countries – from 17 to 12 for SDC, and 16 to 7 for SECO starting in 2009. The geographical concentration of Switzerland's ODA in 2006-2007 remained weak: the top 20 recipients together received only one-third of Switzerland's aid. The steps parliament took in 2008 to increase the level of aid spent in its priority countries are therefore positive (at least CHF 20 million per country per year for SDC and 50% of SECO's budget on its seven priority countries). This should allow for economies of scale and a significant Swiss contribution in priority countries. However, Switzerland should continue to refine its geographic focus. Certainly, its engagement in fragile contexts needs to be seen in the context of the DAC *Principles for Good International Engagement in Fragile States and Situations*, through which Switzerland is committed to giving long duration support to these states. In other contexts, however, Switzerland needs to set clearer criteria for deciding whether to continue or withdraw. Furthermore, SECO should develop a strategic approach to its new focus on middle income countries, while not losing sight of its goal of reducing poverty.

Thematic concentration remains a challenge for Swiss development co-operation. Despite its focus on social infrastructure and services, its aid remains thinly spread across sectors and themes. It intends to reduce this sectoral spread by concentrating its activities in each country on two or three sectors. While this decision is commendable, evidence from the field suggests that more thinking and broader implementation will be needed. Switzerland should seek out its most effective niche when dividing labour among donors, as called for in the Accra Agenda. It should define its comparative advantage on a case-by-case basis, taking into account the views and priorities of the partner country, the activities of other donors, and Switzerland's own experience and added value.

Engaging further with Swiss institutional partners

SDC channels around one-third of its bilateral aid through partners such as NGOs, research institutions and public-private partnerships for development. It is taking steps to strengthen its engagement with a broader range of stakeholders. This is welcome, but the DAC encourages Switzerland to develop a more strategic approach to these partners. For example, SDC's non-intrusive, pragmatic and individual approach to NGOs is positive as it allows for flexibility. However, there are no transparent criteria for engaging in partnerships, no clear links between financial allocations and performance and no standard guidance for country offices in their approach to NGOs. A more strategic approach will require clear criteria for funding allocations and strategic partnerships, more harmonised modalities within different components of the programme and a system for monitoring the results and impact of partnerships. Switzerland should also consider establishing a permanent mechanism to sustain the dialogue with these stakeholders. In the coming years, it should also review SDC's new institutional set-up to ensure it promotes effectively public-private partnerships for development.

A positive, strategic approach to multilateral aid

Multilateral organisations view Switzerland as an exemplary donor, contributing most of its multilateral funding as core contributions and multi-year grants. Switzerland's strategic approach is outlined in a joint SDC/SECO multilateral development strategy. Its two key features are: i) the great importance attached to linking Switzerland's multilateral approach with its bilateral engagement, both thematically and operationally; and ii) the prioritisation of institutions which are highly relevant for Swiss foreign policy. In these institutions it endeavours to be a strong stakeholder and shareholder, both financially and by participating on their board.

Switzerland is keen to improve the performance and results-orientation of multilateral organisations. As a member of the multilateral organisational performance assessment network (MOPAN), it is involved in seeking a coherent way to assess multilateral effectiveness jointly with other donors without creating additional frameworks. This is commendable. Beyond this, the Swiss administration should communicate not only its own positive achievements to parliament and the general public, but also those of the multilateral agencies it supports. This would help garner support for programmes which give Switzerland direct visibility as well as those to which it has made a significant contribution while being less visible.

Recommendations

To increase its impact on poverty reduction in partner countries, Switzerland should:

- Adopt the 0.5% ODA/GNI by 2015 target with a commitment to increase programmable aid. Once this target is reached Switzerland should consider setting as a new target the UN 0.7% goal.
- Concentrate geographical and thematic priorities of its programme further, considering the international division of labour called for in Accra, and the importance of finding the most effective niche.
- Develop a more strategic, transparent and standardised approach to NGOs, research institutions and other partners at headquarters and in the field.

Organisation and management

Combining efficiently the institutions within the development co-operation system

The institutional split between SDC and SECO has been subject to an in-depth political and administrative review, as recommended in the 2005 peer review. Although the division of responsibility for the aid programme remains unchanged, further efforts have been made to eliminate duplication, develop complementarity and ensure consistency between SDC and SECO. The *2008 Bill for the South* clearly delineates responsibilities and there is regular dialogue on areas of common responsibilities. In partner countries, SDC and SECO together form the Swiss co-operation offices and work as an integrated entity within a common co-operation strategy. However, Switzerland could consider strengthening co-ordination mechanisms with all relevant parts of the Swiss administration, especially in fragile states. It is therefore encouraging to note that one of the objectives of SDC's reform is to intensify co-operation with other FDFA entities and the federal administration as a whole.

SDC: undergoing major reform

Since 2008, SDC has been undergoing an impressive organisational reform. This illustrates strong managerial commitment to a more effective aid system through greater strategic coherence and a stronger field presence. While overall these efforts are perceived as positive, SDC will need to monitor closely the impact of the reform and ensure that emerging challenges are addressed properly. These include ensuring synergies between the new Department on Global Co-operation and bilateral and multilateral programmes, and maintaining adequate thematic expertise and resources. SDC would benefit from developing a guidance paper on its strategies and tools over the medium-term. This would help achieve its objective of repositioning the organisation in the new context of globalisation and demonstrating results.

SDC is now starting to implement phase two of its re-organisation, which aims to bring decision-making closer to field operations. To this end, SDC's management should reinforce the capacity of Switzerland's 48 field offices and provide more flexibility in financial management. This would strengthen their ability to bring the aid programme in line with partner government priorities and harmonise it with other donors. Meanwhile SDC should improve its corporate business processes and performance monitoring systems. This would help ensure consistent programme delivery and corporate management across all of its operations. In doing so, SDC will strike a better balance between the pragmatic, field-oriented Swiss approach on the one hand, and the need to provide standard guidance to country offices and the system as a whole and to stay on top of its operations in the field on the other. SECO should build on SDC's experience and delegate further responsibilities to the field, in particular when engaging in new countries, in order to increase the effectiveness of its work in partner countries.

Strengthening strategic management

The 2008 bills for SDC and SECO are opportunities to reinforce results-oriented budgetary and programming management. A standardised system for monitoring and reporting results is needed, with standards that apply to all programmes. This would make it easier for headquarters to aggregate information from the field, demonstrate the results of the aid programme, and feed the results back into the programme. Switzerland now dedicates more attention and resources to evaluation, as revealed by SDC and SECO's recent reviews of their evaluation policies and SECO's creation of an independent advisory committee on evaluation. Switzerland should build on these commendable efforts and make further use of evaluation as a forward-looking management tool in order to be able to use evaluations to improve priority setting and programming in the future. SDC and SECO are also encouraged to develop a common approach to evaluation.

SDC has set up a system of focal points and networks to help build coherent thematic approaches and share knowledge within the institution, including the field offices. However, for this to be successful, SDC will need to retain adequate thematic and sector capacity and ensure that focal points are able to reach beyond their specific location. Focal points also need to be backed up by lively networks involving effective, qualified staff; this requires appropriate guidance and incentives. Networks should also reach out to SECO and other stakeholders in order to disseminate lessons and build further on the expertise of different Swiss stakeholders. Maintaining SDC's capacity in fragile state issues will be crucial for it to build and sustain a substantive platform of knowledge and capacity-building of Swiss stakeholders, and to pursue its contribution to international thinking in this area.

Building skills and staff capacity

One key challenge for SDC is to build, strengthen and retain staff skills. SDC's recruitment programme is currently under review, but scope for action is limited given the planned reduction in the number of posts. While one can question this reduction given rising aid volumes, SDC should be more strategic in its human resource management in the short term to adjust the mix of staff skills to the new priorities. This includes reviewing its approach to training. More guidance and follow-up is needed to ensure that training and staff performance frameworks are linked to SDC's overall objectives and aligned to the principles of the Accra Agenda. Another challenge for SDC is to reinforce the capacity of field offices to support the decentralisation process. With SDC relying extensively on locally-recruited staff, it needs to develop an overall policy for local staff.

Recommendations

To strengthen its important organisational reform, Switzerland should:

- Monitor the impact of SDC's reorganisation and make sure it maintains appropriate thematic expertise, provides enough guidance and applies it throughout the organisation. The new focal points and networks should be given clear objectives and adequate resources, and their achievements should be monitored to ensure that objectives are met.
- Increase co-ordination across government on engagement in fragile states and ensure that sufficient capacity is maintained in this area.
- Pursue a more systematic approach to managing for development results, including using evaluation as a forward-looking management tool in order to be able to use evaluations to improve priority setting and programming in the future.
- Be more strategic about staff management, including for locally-recruited staff, to ensure that the mix of staff skills matches Switzerland's new strategic orientation.

Practices for better impact

Implementing aid effectively

Switzerland is committed to making aid more effective and takes an active role in promoting ownership and accountability within the international community. The *2008 Bill for the South* refers explicitly to the Paris Declaration, and Switzerland is now formulating a joint SDC/SECO policy statement and separate action plans for implementing the Accra Agenda for Action (AAA).

In practice, Switzerland's approach to aid effectiveness is contextual, country-based and inclusive. Each country office defines its own mix of aid modalities according to locally-defined needs, Swiss added value and joint working arrangements. This reflects both Switzerland's pragmatic approach and good practice. As illustrated in the *2008 Survey on Monitoring the Paris Declaration*, Switzerland performs well in a number of areas, such as strengthening capacity in a co-ordinated way, untying aid and engaging in joint analytical work. It is also well equipped to improve the predictability of its aid. Switzerland, like some other donors, expects that it will be more difficult to meet some Paris Declaration targets as it engages further in fragile states.

Like other donors, Switzerland currently faces challenges in implementing some of the principles of the Paris declaration on aid effectiveness. The 2008 OECD/DAC survey shows that it still has many parallel implementation units and makes limited use of country systems. The Minister of Foreign Affairs and parliament are concerned about the fiduciary risks of general budget support and are scrutinising the effectiveness of the aid programme more closely. In the field, Switzerland struggles to adopt more programme-based or sector-wide approaches in certain contexts, and to use country systems. As a result, less than 4% of Switzerland's bilateral aid goes through general and sector budget support. The project approach reflects Switzerland's ground-based, multi-stakeholder approach and is sensible where it has a "niche" position with a specific added value. However, more efficient management requires reducing the large number of small projects. It is therefore positive that Switzerland intends to consolidate its sectoral activities over the coming years, replacing smaller projects with fewer, larger programmes. Switzerland also plans to make better use of country systems, in line with the AAA. However, for this shift to happen, it will need to give stronger guidance to country offices by setting specific objectives with indicators and targets and creating a monitoring system aggregating data from country offices. Switzerland should also review its programming, funding and reporting procedures, as well as its incentive structure for aid effectiveness, to make sure they support the implementation of the Paris principles. Switzerland will also need to ensure that the full range of aid modalities, including various forms of budget support, is available to all country programmes, including non-SECO priority programmes. Making sure that the aid effectiveness principles are fully integrated will require strong leadership and appropriate and dedicated resources.

Learning from experience on priority topics

Capacity development

Switzerland views capacity development as a critical component for achieving its co-operation objectives and as a key working principle. SDC's approach to capacity development distinguishes between hard (technical) and soft capacities (*e.g.* social and communication skills) and comprises four dimensions: individual competence, organisational development, development of networks, and institutions. In practice, Switzerland focuses most of its efforts on building institutional capacity, with a good record in several partner countries. In the two countries visited by the peer review team, Switzerland's context-specific approach to building capacity was described positively by partners as respectful and unobtrusive, yet firmly oriented toward outcomes. Switzerland also co-ordinates its technical co-operation well, and uses local expertise in order to build national capacity. However, neither SDC nor SECO provide any corporate operational guidance for targeted projects or for integrating capacity development within programmes. As a result, there is no consistent effort to make capacity development an objective of all programmes.

A strategy for capacity development would help close the gap between policy and practice. The strategy should create a shared vision for all Swiss development stakeholders, specify that capacity development efforts need to be matched to context, outline how to select the best approach, and provide operational guidance for building capacity and measuring progress. SDC's dedicated unit for capacity development will have a key role in ensuring that capacity development is adopted throughout the Swiss development co-operation system. It should use the thematic networks to achieve this. Mainstreaming capacity development will also require adequate incentives (such as making it part of staff objectives and terms of reference) and training for field staff. Drawing on other donors' experience in these areas will be helpful, and Switzerland is encouraged to increase its participation in related international fora.

Environment and climate change

Switzerland's commitment to the environment is rooted in the principle of sustainability enshrined in the Swiss Constitution. It has been a key concern in Swiss development co-operation since the early 1990s. Since 1998 Switzerland has passed bills involving multi-year framework credits to finance multilateral activities on both environment and climate change in developing countries. Climate change was chosen by parliament in 2008 as a specific focus for Swiss development co-operation. Regrettably, SDC and SECO have not seized the opportunity to draw up a joint strategy on climate change. A joint strategy could have clarified shared objectives and divided tasks by activity and country. While both agencies focus their climate change activities on more advanced economies, they should keep in mind the serious impact of climate change on low income countries.

Both SDC and SECO are currently adapting their focus to incorporate climate change. Having disengaged from other key environmental topics, SDC is no longer in a position to support Switzerland's negotiations on biodiversity, desertification, or chemicals management with operational knowledge. Yet, its new Global Programme on Climate Change places significant emphasis on negotiations under the international climate regime. Operationally, SDC intends to mainstream climate change (both adaptation and mitigation) into all three key areas of Swiss development co-operation: poverty reduction, human security and development-friendly globalisation. SDC offers examples of good practice in adapting to climate change, notably in disaster risk reduction. SECO's strength lies in its consistent approach to sustainability in private sector development and trade (*e.g.* through certification and labels). It notably promotes climate change mitigation directly through its cleaner production centres. These build capacity for sustainable production and help to register projects under the Kyoto clean development mechanisms. As they shift their focus towards climate change, SDC and SECO will need to address some challenges: i) maintaining adequate attention and capacity for other key environmental topics in the bilateral programme; and ii) compensating for the loss of SDC's recognised operational expertise in defending the interests of developing countries in environment negotiations led by the Federal Office for the Environment. This could be done by using inputs from the thematic networks.

Switzerland's methods for ensuring sustainable programmes and tackling climate change are well advanced and innovative. Nevertheless, there is no common standard or guidance: SECO and SDC use different approaches to mainstream environment and climate change, and there are no consistent instructions from headquarters on the environmental screening of projects. In the longer term, the Swiss development co-operation system would benefit from bringing these tools into one coherent logical framework which defines the requirements programmes must fulfil. Switzerland would also benefit from closer co-operation among the two agencies and the Environment and Energy Offices. This would help build a coherent approach to environment and climate change in the development co-operation programme, and increase inter-departmental policy coherence on environmental issues.

Recommendations

To increase its aid effectiveness and impact, Switzerland should:

- Develop and implement consistent Accra Agenda Action plans to enable SDC and SECO to mainstream appropriate procedures and incentives within the system. These should include a roadmap with clear indicators and targets to guide country offices, especially for increasing the use of country systems, mainstreaming capacity development, and enabling Switzerland to monitor Accra Agenda implementation.

- Maintain a variety of aid instruments and modalities, including budget support, to move further towards sector-wide and programme approaches, regardless of which institution manages the programme.
- Formulate a joint approach to environment and climate change, building on positive work on sustainable development and environment. Make explicit the requirements aid programmes need to fulfil with respect to environment and climate change.
- Ensure that Switzerland's engagement in international negotiations on climate change and environment continues to benefit from the knowledge gained in development co-operation, and *vice versa*.

Humanitarian action

A unique position within the international humanitarian system

As the depository state for the Geneva Conventions, Switzerland occupies a unique position within the international humanitarian community. Swiss humanitarian strategies, priorities and procedures therefore appear particularly immersed in the obligations of international humanitarian law. This also extends to relations with political and defence counterparts, who appear to be guided by a profound respect for humanitarian principles, including the primacy of civilian authority over humanitarian interventions. Furthermore, the 2006 *Humanitarian Aid Bill* enshrines Switzerland's good humanitarian donorship commitments within the legislation and provides a firm basis for principled humanitarian action.

A comprehensive approach

Switzerland has adopted a holistic approach to humanitarian action that covers four key fields of activity: prevention and preparedness, emergency relief, reconstruction/rehabilitation and advocacy. *Humanitarian Aid of the Swiss Confederation: Strategy 2010*, positions Swiss humanitarian action as an investment in sustainable development and seeks to encourage linkages with development co-operation in order to address both the symptoms and structural causes of crises. Switzerland has also played a prominent role in efforts to promote disaster risk reduction approaches in development co-operation. The strategy also mandates SDC's Humanitarian Aid Department (SDC-HA) to respond to the humanitarian consequences of new global challenges such as pandemics, climate change, state fragility, global food insecurity, and terrorist attacks. Throughout, Switzerland should be careful to continue to protect the vital characteristics of principled humanitarian action and avoid diverting resources from ongoing crises.

A good humanitarian donor in practice

The Humanitarian Aid Bill established a five-year (2007-11) framework credit of CHF 1.5 billion for Swiss humanitarian action. This is in line with the principle in SDC Strategy 2010 that the average proportion of humanitarian aid in SDC's budget should be 20%. With 14% of bilateral ODA allocated to humanitarian aid and substantial unearmarked support to multilateral agencies, Switzerland appears well on track to maintain this commitment. Swiss humanitarian assistance is allocated on the basis of need, irrespective of the priorities of the rest of the development co-operation system. It is recognised as rapid, flexible, co-ordinated and well-targeted and it benefits from a wide range of flexible instruments. In the event of emerging crises, additional credit lines can be approved by the Federal Council.

Improving practices within Swiss humanitarian action

SDC has recently merged humanitarian and development programmes in the Middle East into a single office. This innovative step will help to ensure smoother transitions and address concerns raised in the previous peer review about the functional and physical separation of SDC-HA from other parts of SDC. It should also allow for better adaptability to fluctuations in the humanitarian context. While it is uncertain whether this organisational model can be replicated, it provides a useful reference point to grapple with the complex challenges in coherently linking different types of support to crisis-affected populations.

Given Switzerland's heavy investments in bilateral humanitarian operations, the SDC Code of Conduct is particularly important for regulating the behaviour of some 700 deployable personnel. In establishing acceptable norms and an internal compliance process, the code of conduct is also useful for further strengthening accountability to humanitarian beneficiaries. SDC-HA has also taken positive steps to mainstream gender equality into planning, implementation, monitoring and evaluation of humanitarian aid interventions. A training package is currently being developed to improve gender-responsive practices in Swiss humanitarian action. However, the gender toolkit currently lacks guidance for monitoring and verifying that these measures have, in fact, been successfully implemented.

Although embryonic, there are encouraging signs that a culture of results is taking root within SDC-HA. Switzerland could draw on the benchmarks developed by the GHD group in order to demonstrate results and identify Swiss contributions to the collective donor commitments made in Stockholm in 2003. *Humanitarian Aid of the Swiss Confederation: A Conceptual Framework for Multilateral Commitment* identifies a differentiated approach to multilateral engagement based on six primary and three secondary partnerships. This provides for focused dialogue and the strategic allocation of resources. However, the framework currently also lacks measureable indicators to demonstrate impact.

Recommendations

To consolidate its leading role as a good humanitarian donor, Switzerland should continue to:

- Draw on its experiences to support international efforts to bridge humanitarian action and long-term development aid. In this context, Switzerland should maintain a leadership role in promoting disaster risk reduction approaches within development co-operation. However, in taking these initiatives, Switzerland should be careful to preserve the essential characteristics of humanitarian action.
- Enhance bilateral humanitarian action by strengthening further the provisions of SDC Code of Conduct related to the participation of, and accountability to, humanitarian beneficiaries. It should also expand the gender toolkit to provide guidance on monitoring and evaluating the gender dimensions of humanitarian action.
- Ensure that the emerging culture of results within SDC is also embedded in Swiss humanitarian action. In particular, The *SDC-HA Conceptual Framework for Multilateral Commitment* would benefit from measureable indicators.

SECRETARIAT REPORT

Chapter 1

Strategic Orientations

Strategic foundations of Switzerland's development co-operation

Switzerland is seen as a constructive donor in the global aid community, building on a long tradition of co-operation, especially in humanitarian aid. It actively contributes to international thinking on ownership and areas such as governance and fragile states. Switzerland is committed to delivering more and better aid. Since the last peer review (in 2005), it has striven to reinforce its strategic approach to development co-operation, trying to make the best use of its complex legal and institutional set-up.

The Federal Council defined "securing Switzerland's position in a globalised world" as one of the five priority areas for the legislative period 2007-11. This underlines the fact that Switzerland is at the core of the globalised economy, with an export-oriented economy and a financial sector representing nearly 12% of its gross domestic product. Despite the impact of the global crisis and subsequent constraints on its financial capacity, Switzerland is keeping to its commitment, announced at Monterrey, of contributing 0.4% of its gross national income (GNI) to official development assistance (ODA) by 2010. This matches the way Switzerland sees solidarity in a fast changing, inter-related global environment.

Legal foundations for Switzerland's development co-operation

"Solidarity" is one of the key principles guiding Switzerland's foreign policy, which is closely linked to the Swiss national interest. This combination of solidarity and enlightened self-interest is enshrined in Article 54 of the Federal Constitution (CH, 1999) in which lies the foundation of Swiss development co-operation: "The Confederation shall strive to preserve the independence of Switzerland and its welfare; it shall, in particular, contribute to alleviating need and poverty in the world and to promoting respect for human rights, democracy, the peaceful coexistence of nations, and the preservation of natural resources". Therefore, as stated in the 2007 Foreign Affairs report, "a development policy in line with the constitutional objectives must promote and defend Swiss immaterial and material interests, in order to implement the social solidarity ideal".

Swiss interests pursued as part of the development co-operation policy include the economy, security, migration and environment, as well as the need for international binding regulations, strong partners and strengthened democracies (FDFA, 2007).

For instance, promoting economic development and integrating partner countries within the global economy is one pillar of Swiss foreign economic policy, which dovetails with safeguarding the interests of the Swiss economy abroad. The aid programme contributes to this win-win agenda. While it aims to provide partner countries with economic support, infrastructure financing and trade facilitation, it also has a positive impact on the Swiss economy in terms of employment and return on investments. This impact is monitored in a study commissioned every four years by the Swiss Agency for Development and Co-operation (SDC).[1] This approach may foster policy coherence for development, although achieving a compromise between conflicting interests remains a challenge in the Swiss consensus-based system (Chapter 2).

Two federal acts form the legal foundation of the Swiss aid programme. The *Federal Act on International Development Co-operation and Humanitarian Aid* (1976) outlines the objectives for Switzerland's international assistance to the South: "Development co-operation seeks to help developing countries improve the living conditions of their population and enable these countries to play an active role in their own development. As a long term objective, it strives for greater balance within the international community" (CH, 1976, Art 5). In addition, development co-operation with Eastern Europe and the Community of Independent States (CIS) is laid out in specific legislation enacted in 1995 and renewed by parliament in 2006 for the next 10 years (CH, 2006a). Key objectives are to "support transition towards democratic systems as well as economic development relying on a market economy, social rules and environment sustainability". By supporting peaceful and sustainable development in Eastern Europe, Switzerland also aims to enhance stability and security in its region.

These two federal acts provide for a multi-annual funding mechanism for official aid, through framework credits submitted to parliament (Table 2, Chapter 3). Each framework credit is justified by a Federal Council Bill defining the strategic orientations, objectives and expected results of the programme. Each bill covers a specific geographic area (developing countries in the South; Eastern Europe and the Commonwealth of Independent States (CIS)) or a specific domain (economic and trade co-operation; humanitarian aid; civilian peace and human rights). The *2007 Bill on Global Environment* is also mostly implemented with ODA eligible funds. However, while they allow predictability and flexibility within each framework, these bills and associated credit frames lead to an administrative fragmentation of the aid system, since each one involves its own timeframes, themes and approaches.

Switzerland's institutional framework for development co-operation

According to the 1977 ordinance on development co-operation and humanitarian aid (CH, 2008a), two institutions share the responsibility for defining and implementing the Swiss aid programme: the Swiss Agency for Development and Co-operation (SDC) of the Federal Department of Foreign Affairs (FDFA) and the State Secretariat for Economic Affairs (SECO) of the Federal Department of Economic Affairs (FDEA). The Federal

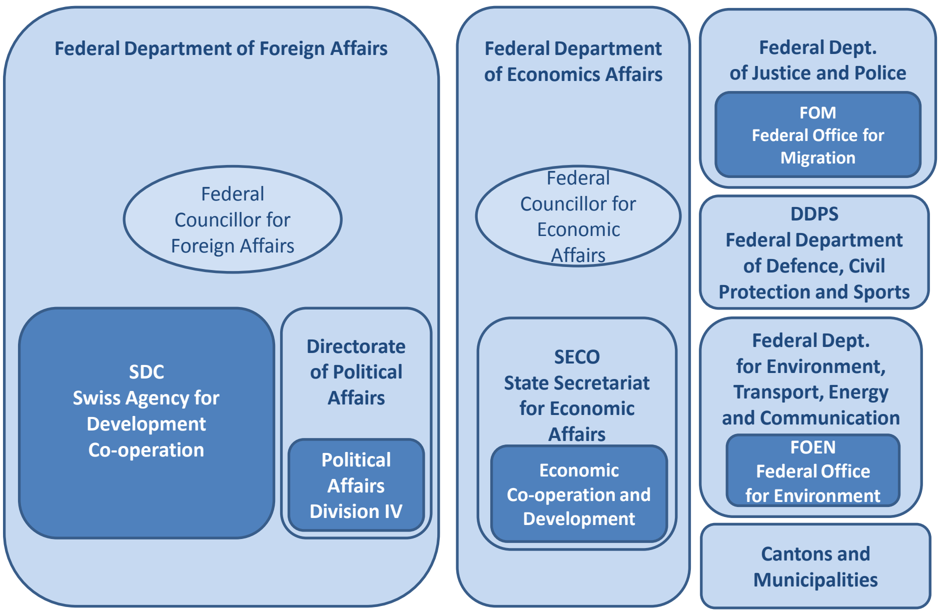
1. Studies on the impact of ODA on the Swiss economy were done in 1994, 1998, 2002 and 2006. Depending on years, the multiplier ratio for each franc allocated to ODA is between 1.40 and 1.79. Some 20 000 jobs are directly or indirectly linked to development aid (SDC, 2006a).

Council re-examined this dual development co-operation system as part of efficiency reforms of the Swiss administration between 2006 and 2008. It came to the conclusion that it should be maintained, but that one should eliminate duplications and build synergies between the ministries involved (Figure 1). The *2008 Bill on Technical Co-operation and Financial Aid to Developing Countries* (CH, 2008b, referred to here as the "*Bill for the South*"), emphasises the need for coherence and complementarity. SDC and SECO's specific roles are as follows:

- SDC is responsible for the overall co-ordination of development activities; for technical co-operation and financial aid to countries affected by extreme poverty and vulnerability, countries in conflict or in a fragile situation, and countries in Eastern Europe and the CIS; and for Switzerland's humanitarian aid. It is also responsible for Switzerland's relations with the United Nations (UN) system, excluding trade-related bodies. In 2007, SDC administered 66.4% of the total development co-operation budget.

- SECO's Economic Co-operation and Development Division is responsible for economic and trade policy measures to countries and regions below investment grade with chances for integration into world markets, and countries in Eastern Europe and the CIS. SECO is responsible for Switzerland's relations with UN trade-related bodies and shares with SDC responsibility for relations with the World Bank group and the regional development banks. In 2007, SECO managed 12.6% of total ODA (of which 3.5% was debt relief).

Figure 1. The Swiss development co-operation system



In addition, FDFA's Political Affairs Division IV is responsible for formulating Switzerland's peace and human rights policies and for implementing measures to promote peace and strengthen human rights worldwide. This represents some 2.5% of ODA. Other Federal Departments are also involved in development co-operation activities. Of these, the two most important are the Federal Office for Migration, responsible for processing asylum applications and/or facilitating asylum-seekers' return to their country of origin (9% of ODA); and the Federal Department of Defence, Civil Protection and Sports, responsible for Swiss involvement in international peace promotion initiatives (3%). Other federal offices as well as cantons and municipalities also support development activities through NGOs or directly, although this remains limited (5%).

Besides parliament's oversight and budget role, two bodies were established by the 1976 Federal Law to coordinate development policies: i) the Inter-departmental Committee on Development and Co-operation (IKEZ), chaired by SDC, which aims to co-ordinate departments and federal offices involved in the Swiss aid programme; ii) and the Advisory Committee on International Development Co-operation which acts primarily as an advisory body to the Federal Council. Composed of 20 members from parliament, the private sector, trade unions, universities, NGOs and the media, it provides advice on key development co-operation issues in the form of statements addressed to the Federal Council or parliament. It helps foster consensus on key orientations of the aid programme, whether on volume, channels or strategic management (AC, 2008).

This system is seen as conducive to political support in the Swiss consensus-oriented system: having two ministers dealing with development co-operation out of seven ministers in the Federal Council ensures effective lobbying for development goals and raises the development co-operation profile in government discussions. At the same time, the legal and institutional framework leads to an administrative fragmentation of the aid system which may undermine a unified vision for the aid programme and aid effectiveness. This set-up requires strong cohesion between the two ministries and continuous efforts to diminish duplication and associated transaction costs (Chapter4).

Swiss strategic framework for development co-operation

Steps towards a strategic, unified approach

The 1976 law on international development co-operation (CH, 1976) provides the flexibility required for the development programme to adapt to the new context for international co-operation, with strategic orientations defined in the bills. Parliament has requested the Federal Council to consider updating the law. In doing so, the Federal Council should keep in mind the need for openness in an evolving international aid context and should therefore avoid being too prescriptive.

Switzerland is taking steps to increase coherence and consistency in its system, as recommended in the 2005 peer review (Annex A and see Chapter 4). Following a report issued in December 2006 by its Control Committee, parliament has mandated the Federal Council to: i) improve strategic leadership in the FDFA and in SDC; ii) formulate a unified strategy for Swiss development co-operation; iii) focus the programme where Switzerland has a comparative advantage; and iv) review SDC and SECO's geographic and sector portfolio accordingly. The Council accepted this motion in March 2008; its first action was to present simultaneously to parliament both bills relating to SDC and SECO and which cover more than 80% of the aid programme.

This joint presentation gives parliament an overview of the programme implemented by SDC and SECO and clearly delineates their respective roles, thematic and geographic focus, and associated resources. It also provides direction for the overall aid programme, defining the international context for development aid and outlining three strategic objectives and six priority areas for development co-operation (Box 1). These three strategic priorities, aligned to Swiss federal foreign policy objectives, are: i) achieving the Millennium Development Goals (MDGs) and reducing poverty; ii) promoting human security and reducing security risks; and iii) contributing to pro-development globalisation (CH, 2008b). This comprehensive approach is welcome as it is conducive to whole-of-government engagement. The six priority areas are subject to specific operational approaches, institutional focus and partnerships. This provides a balanced overall framework, consistent with Switzerland's multi-stakeholder approach combining different channels for delivering aid.

The Federal Council also plans to harmonise the timing of all framework credits by the next legislative period (2013-16). Thus, it has set the duration of the 2008 framework credits so that the new framework credits begin with the new legislature. While it will be important to ensure continuity, this will help to set and implement an overall strategic vision for development co-operation. The peer review team welcomes these positive steps and invites Switzerland to pursue its efforts towards reinforced strategic cohesion. As described below, this involves confirming poverty reduction as the overarching objective for Switzerland's aid programme; streamlining themes within and across institutions; integrating further cross-cutting issues within the aid programme; and strengthening the strategic vision based on Swiss added value.

Confirm poverty reduction as the overarching objective for Switzerland's aid programme

The 1976 Federal Act calls for supporting primarily the "efforts of developing countries, regions and groups amongst the poorest", and thus clearly sets poverty reduction as the core objective of Swiss development co-operation. Geographic allocations are consistent with this objective (Chapter 3). In the coming years, Switzerland will need to maintain poverty reduction as the overarching objective. The recent bills have added other objectives: for example, the *2008 Bill for the South* adds "human security" and "pro-development globalisation" as second and third priorities respectively for the Swiss aid programme. The objective of the *2008 Bill on economic and trade policy measures for development co-operation* (CH, 2008c) is "contributing to a globalisation conducive to development" - thereby reducing poverty in partner countries. Finally the priority objective of the 2006 *Federal Act on Co-operation with Eastern Europe and CIS* is "supporting the transition towards democracy and a social market economy". While these orientations may not contradict the poverty reduction objective - and equity issues are indeed raised in country programmes - poverty reduction, including equitable and sustainable globalisation, could be made the overarching goal of development aid in every official statement. This would help ensure an explicit poverty reduction focus in the co-operation with Eastern Europe and other middle-income countries.

Box 1. Strategic objectives and priority areas for Swiss development co-operation

Three strategic objectives: ***i) achieving the MDGs and reducing poverty***
ii) promoting human security and reducing security risks
iii) contributing to pro-development globalisation

Priority areas	**Operational approaches**	**Institutional focus and partnerships**
1. Support to Poverty Reduction Strategies of priority countries	Long-term commitment for financial and technical assistance provided in the framework of country strategies focused on three sectors	• Governments of selected poor countries • Harmonised approaches with other donors • Multilateral organisations, • Public-private development partnerships (PPDPs), Civil Society and NGOs
2. Support to selected regions with fragility in state systems, conflicts, and security risks	Mid-term commitment for financial and technical assistance through special programmes focused on risk prevention and mitigation (support to two sectors)	• Governments of selected fragile countries • Local, regional and international partners • Civil society, NGOs, PPDPs • Multilateral institutions, inc. humanitarian • Global funds and networks
3. Contribution of Switzerland in shaping globalisation in a way that fosters development	Promotion of macroeconomic stability, good economic governance, private sector development, economic infrastructure and trade, synergies with regional and multilateral activities, as well as triangular co-operation and global issue programmes	• Governments of middle income countries • International organisations • Private funds • Specialised organisations • Private sector, universities, NGOs
4. Support to and engagement with multilateral organisations	Financial contribution to multilateral development institutions and active participation in their boards and oversight mechanisms	• UN Organisations, Funds and Programmes • International financial institutions (IFIs) and trade organisations • Global funds and networks
5. Co-operation with relief and research institutions & PPDP	Networking aiming to strengthen Swiss skills in development co-operation	• Swiss NGOs • Swiss institutions for research and education • PPDP
6. Co-ordination within the Swiss administration	Co-ordination of development policy with other departments involved	• Swiss administration

Streamline themes within and across institutions

Switzerland's framework of three objectives and six priority areas set out in the 2008 bill could be developed further to give the aid programme a more consistent, focused direction. Even though the number of SDC priority themes for co-operation with the South has been reduced to ten, Switzerland's aid programme still has a high number of sectors and cross-cutting issues (Box 2). In particular, new themes were introduced with the re-organisation of SDC in 2008, with climate change, migration and food security brought under global programmes. With resources spread across a larger number of topics, this thematic proliferation may put at risk expertise gained in certain areas, like engagement in fragile states, where Switzerland has achieved a high profile in recent years (Box 3). Focusing on fewer themes resourced by appropriate and dedicated funds would increase Swiss impact. Switzerland should also consider addressing remaining inconsistencies between institutions, such as SDC and SECO's different cross-cutting issues.

Box 2. Thematic priorities in Switzerland's development co-operation programme

	SDC	SECO	PD IV (FDFA)
Sector	**Co-operation with the South**: 1. Income and employment; 2. Agriculture and rural development; 3. Education; 4. Health; 5. Water; 6. Natural resources and environment; 7. Promotion of democracy and the rule of law. **Special programmes in fragile situations**: 1. Governance; 2. Crisis prevention, resolution and recovery; 3. Income and employment; 4. Natural resources and environment; 5. Health **Global programmes**: 1. Food security; 2. Climate change (adaptation); 3. Migration 4. Water	1. Macro-economic framework conditions 2. Trade promotion 3. Infrastructure financing in the water, environment, energy and transport sectors 4. Private sector development and investment promotion	1. Peace and security 2. Federalism and democracy 3. Dialogue with non-state players 4. Human rights in conflict situation 5. Measures to strengthen the protection of human rights 6. Protection of civilians 7. Migration and trafficking in human beings 8. Men, women and peace
	Co-operation with Eastern Europe and the CIS 1. Security, stability, governance and democracy (SDC) 2. Structural reforms, economic growth and income (SDC/SECO) 3. Infrastructure and natural resources (SECO) 4. Social reforms and new poor (SDC)		
Cross-cutting issue	1. Gender equality 2. Governance	1. Climate change (mitigation), energy and environment 2. Economic governance, corporate governance and anti-corruption measures	

Box 3. A high profile in security and peace building in states in fragile situations

Promoting human security and reducing security risks is one of the three priorities of the *2008 Bill for the South*. In addition, since 2007, a specific bill has been dedicated to building peace and human rights (CH, 2007a). Both SDC - through six special programmes and humanitarian aid - and Political Division IV, are involved in this field. Of Switzerland's total bilateral aid, 14% went to states in fragile situations in 2007. Switzerland has been able to bring its experience from the field to engage proactively in international discussions. Switzerland co-chaired the previous DAC network on conflict, peace and development co-operation. Since July 2009, Switzerland is chairing the Burundi Configuration of the peace-building Commission of the United Nations and is vice-chair of the International Network on Conflict and Fragility (INCAF). In March 2009, it hosted a useful "3C Conference" on promoting Security, Development, and Peace in Fragile Situations, bringing together diplomacy, defence and development communities, with the World Bank, the United Nations Development Programme (UNDP), OECD and NATO (the North Atlantic Treaty Organization). The conference was organized through a concerted effort by the Federal Department of Foreign Affairs (FDFA), the Federal Department of Justice and Police (FDJP), and the Federal Department of Defence, Civil Protection, and Sport (DDPS). Building on parliamentary support and the cross-departmental efforts made in recent years, Switzerland should maintain its emphasis and expertise on conflict and fragility, both for its own benefit and that of the international development policy community.

Further integrate cross-cutting issues within the aid programme

Governance is a cross-cutting theme for both SDC and SECO. Switzerland is involved in a number of key governance programmes, and dedicates some 12% of its bilateral aid to "government and civil society" (Table B.5, Annex B). However, findings from the field mission in Nicaragua suggest that it could integrate this dimension further across programmes, as mainstreaming governance only became a priority for the office in 2007 (Annex E). Other themes are not dealt with in the same way in SDC and SECO, and Switzerland would gain from defining common cross-cutting issues for its overall aid programme. Climate change is dealt with as a cross-cutting issue in SECO, but as a "global programme" in SDC (Chapter 6).

Gender is cross-cutting within SDC only, although SECO does promote the economic empowerment of women. According to its 2005 progress report on the MDGs, Switzerland "is also committed to promoting gender issues in economic co-operation as well as in investment promotion, trade and infrastructure development" (CH, 2005). In line with this, in 2006 SECO developed gender mainstreaming guidelines as well as operational guidance on gender in infrastructure financing. However, further management support will be needed to systematically use the guidelines throughout its activities. On the other hand, gender equality has been integrated as a cross-cutting issue within SDC since 1990. SDC's current policy on gender equality, developed in 2003, identifies five guiding principles: i) mandatory use of a gender analysis; ii) flexibility in implementation; iii) multi-level strategies linking international, national and local partners; iv) specific action on gender inequality; and v) promotion of equal opportunities in SDC and partner organisations (SDC, 2003). However, these principles have not been implemented consistently. The combination of a major evaluation exercise and organisational reform in 2008 gave further impetus to integrating gender equality within SDC (Box 4). Switzerland could build on its good practice in integrating gender in both Albania and Nicaragua, where Switzerland is recognised by other donors as a keen supporter and implementer of gender equality through a participatory, rights-based approach. Switzerland goes beyond integrating gender in projects, promoting gender equity in the policy dialogue which accompanies budget support. In Nicaragua, this allowed gender-sensitive indicators to be included in the performance assessment matrix for general budget support.

Box 4. A new impetus for integrating gender equality further in SDC's programme

In 2008, SDC commissioned an independent evaluation of its performance in mainstreaming gender equality (SDC, 2009a). The evaluation pointed out that, although progress had been made, integration of gender equality in programming was uneven and still considered to a large extent as optional: SDC systems for ensuring gender mainstreaming were weak, and, "as a result, gender equality as development goal and gender integration in operations comes down to chance". In line with these findings, the DAC peer review team found that, despite challenges at SDC/SECO headquarters, considerable attention is given to mainstreaming gender equality in two of the country programmes, with positive results.

The challenge now is to ensure consistency of policy implementation, sustain the momentum witnessed in several co-operation offices and ensure that gender is taken into account in new policy areas like climate change. Management's response to the evaluation is a good step forward. It is providing clear policy direction (reaffirming SDC's 2003 policy on gender equality) and has strongly endorsed the importance of gender equality. In particular, the Board of Directors has agreed to review progress in implementing this policy annually. The board has also agreed to a number of measures to mainstream gender equality in the programme cycle management. It also provides for inclusion of outcome-oriented objectives for gender equality in staff work-plans and performance reviews, and includes gender components in all SDC training for staff and partners. The review team recommends that the annual progress report should monitor the implementation of these measures, which should be powerful in strengthening gender equality integration. The DAC gender marker, which includes Switzerland's reporting since May 2009, will be one indicator.

This should be complemented by an institutional set-up allowing SDC to build on its existing tools and good practice and share further its knowledge with partners inside and outside the Swiss co-operation system. A key element will be the Gender equality learning network being set up as part of the new organisational structure (Chapter 4). As with other newly-established networks, it should be given adequate weight and resources to allow it to be both "thematic" by promoting the exchange of experience and "normative" by providing guidance on integrating gender equality. It is therefore positive that the board has upgraded the position of the co-ordinator of the network and plans to allocate more time to gender focal points designated in each unit (at least 20% of a full time position). Another key element will be to ensure good participation by country offices in the network to allow cross-fertilisation throughout SDC. At present, gender focal points in Swiss co-operation offices are part of the network, but they are not yet actively involved and knowledge sharing is mostly done within each region. Key steps will be the electronic platform for the exchange of information (Shareweb) which should be operational in September 2009 as well as the first face-to-face meeting planned in Spring 2010 for all network members at SDC Headquarters and the Swiss co-operation offices. As an example, the network could provide opportunities to share broadly the "eleven golden rules" drawn from experience in mainstreaming gender in Latin America (SDC, 2006b). Involving SECO in the network would also be an asset.

Strengthen the strategic vision based on Swiss added value

The issue of Swiss added value based on its own characteristics ("Swissness") is becoming more prominent in the national debate. In trying to enhance consistency in its strategic approach, Switzerland should consider how Swiss interests and characteristics play a role in its positioning and areas of engagement. Swiss consensus culture and neutrality allow it to play a mediator role in many areas – for example in trade and development to protect biodiversity and indigenous intellectual property - and in sensitive situations, such as Nicaragua (Annex E). Switzerland's approach to democratic governance is also a recognised comparative advantage, given its own history of direct democracy, as is its ground-based, participatory approach. These factors give Switzerland legitimacy to engage proactively in governance both in the field and in international debate, chairing the DAC network on governance and co-chairing the Accra Roundtable on ownership. Switzerland can also build on SDC's long-standing experience in areas linked to the MDGs and on SECO's expertise in economic development, taking advantage of its position within the FDEA. Switzerland should strike a balance between its comparative advantages and the need to address emerging issues and engage in new areas, while taking into account the Accra Agenda for Action (AAA) requirements for alignment and harmonisation. In order to improve the thematic division of labour among donors, Switzerland should therefore redefine its comparative advantage on a case-by-case basis, taking into account the views and priorities of the partner country, activities of other donors, and Switzerland's own experience and added value.

Switzerland could also reconsider its rationale for engaging in regional programmes. In general, the role of such programmes should be to address regional problems with regional solutions, including through strengthening regional institutions. However, the logic seems different in the Swiss Central America regional programme, although it is not incompatible. While looking for linkages between national and regional levels, it mainly focuses on building synergies between Swiss co-operation offices in order to be cost efficient (annex E).

Communicating and buiding public awareness

Strengthen public and political support to development co-operation

Public support to development aid remains high in Switzerland. For example, there were 200 000 signatures on a petition addressed to parliament in June 2008 asking to set 0.7% as the ODA/GNI ratio goal. A 2006 survey showed that 32% of respondents thought ODA should be increased; 48% thought it should remain the same; and 10% thought it should be diminished (compared to 14% in 2003 and 17% in 1999). However, most people are unaware of how much Switzerland spends on development: only about 20% estimate it accurately. Equally, private institutions have a better image than public institutions, and the percentage of people who think Switzerland should provide more support to NGOs and involve the private sector more has risen in the last decade. A large proportion of the public is concerned about the low impact of development aid; more than 50% think that poverty cannot be eliminated. The Swiss media play a role in this perception, with a large coverage of stories illustrating the misuse of public aid funds.

The same mixed picture exists among political constituencies. Overall, parliament is supportive of the aid programme. In 2008, for instance, it asked the Federal Council to consider raising the ODA/GNI ratio to 0.5% by 2015, a proposal supported by the Advisory Committee (see Chapter 3). But there is also scepticism against general budget support and the fiduciary risks involved. Many parliamentarians see transparency and efficiency as key issues, if not the pre-conditions for increasing aid volumes. Parliament also advocates increasing aid visibility, and, believing that this could be better achieved through bilateral aid, placed a 40% budget cap on multilateral aid in SDC's 2009-12 credit framework for development activities in the South.

Maintain a crucial focus on communicating results

SDC developed a communication strategy in 2006, following the 2005 peer review recommendation to increase public communication (Annex A). However, with the reorganisation of the Federal Department for Foreign Affairs (FDFA), SDC's external communication unit was integrated into a new, centralised FDFA information unit in October 2008. This brings both advantages and challenges: communication is closer to decision-making, but the communication of development issues risks being lost within the wider political agenda. To avoid this, Switzerland should maintain different dimensions of communication: i) event-related communication, where centralised communication in the FDFA is needed to ensure clarity and coherence; and ii) public information and awareness, drawing on a longer-term perspective and where SDC and SECO have a key role to play. The small unit on global education in SDC and SECO's information service will both be important here, and adequate collaboration between them will be essential. SECO should make sure that the new communication concept it has developed fits within an overarching communication strategy which streamlines activities around priority target groups and presents key messages which focus on results.

A number of communication activities are done jointly and SDC and SECO now have a common Swiss logo. Activities are implemented both directly (*e.g.* SDC and SECO joint annual thematic conferences for the South and the East, joint annual reports, websites, newsletter, press conferences) or through civil society organisations. For instance, SDC supports the Foundation for Education and Development, which aims to integrate global learning on education for sustainable development within school curricula. It also supports Media21, a Geneva-based initiative launched in 2006 by a team of international journalists to expand media coverage of key global issues, such as climate change.

Like other donors, Switzerland finds it difficult to balance the need for visibility with the commitment to apply the aid effectiveness principles. So far, in the field, the need for visibility seems not to hamper its effectiveness (Annexes D and E). However, a longer-term vision to communicate development effectiveness is needed to reinforce support for effective aid. It should include a more systematic approach to results, including strengthened reporting and monitoring of impact, emphasising the long-term perspective needed to achieve development results. Meanwhile, messages should shift from "attribution" linked to stand-alone projects to "contribution to development results" achieved through partnerships. The 2008 report on how to make aid in the water sector effective (SDC/SECO, 2008a) is a good example of current efforts in this direction.

Future considerations

- While the presence of equity issues in country programmes is recognized, poverty reduction, including equity and sustainability, could be made more explicitly as the overarching goal for all parts of Swiss development co-operation.
- Switzerland should continue to reinforce strategic cohesion, reduce the number of themes and integrate further cross-cutting issues in the aid programme. It should use

the annual progress report on gender to closely monitor the implementation of the gender equality policy.

- In light of its long list of themes, Switzerland should define its comparative advantage on a case-by-case basis, considering the views and priorities of the partner country, activities of other donors, and Switzerland's own experience.
- Further efforts to build and measure public awareness remain critical and require not only day-to-day public information but also a longer-term vision to communicate on development. Switzerland needs to report and communicate on development results systematically, emphasizing that these results are usually achieved most effectively in partnership with other stakeholders.

Chapter 2

Policy Coherence for Development

In the *Synthesis Report on Policy Coherence for Development* the DAC describes progress towards policy coherence for development as a process that builds on three building blocks (OECD 2005a):

i. Political commitment and a policy basis that specifies policy objectives and determines which takes priority in the event of incompatibility.

ii. Policy co-ordination mechanisms that can resolve conflicts or inconsistencies between policies and maximise synergies.

iii. Monitoring, analysis and reporting systems to provide the evidence base for accountability and for well-informed policy-making and politics (OECD, 2008a).

The 2005 peer review recommended that Switzerland strengthen existing institutional arrangements for policy coherence for development, deepening the involvement of Federal Departments other than development agencies in the debate. It also recommended enhancing advocacy within the administration and specific interest groups (Annex A). Four years later, despite a decline in Switzerland's rating on policy coherence for development by the Center for Global Development, this chapter shows that some progress has been made against all three pillars of policy coherence for development (see Table 1). The recommendations of the last peer review, however, broadly remain valid.

Normative and institutional frameworks

Political commitment and vision, but no binding framework

Switzerland was one of the first DAC members to recognise the need for policy coherence for development. In 1990, its parliament called for a holistic and coherent policy towards developing countries. The *Guidelines North-South* adopted by the Federal Council four years later (CH, 1994) were in fact more than guidelines; they expressed a vision for Switzerland's development approach that relates to "the totality of Switzerland's political, economic and social relations with these states" (CH, 1994, p.11). The "alleviation of need and poverty in the world" was made one of the five overall goals of Swiss Foreign Policy in the revised Federal Constitution (CH, 1999).

Table 1. The building blocks for policy coherence for development in Switzerland

Building block	Progress made by 2009	Recommended next steps
Building Block A: Political commitment and policy statements	A vision for policy coherence has existed since the 1990s (North-South Guidelines).	Switzerland should translate the vision and public support for policy coherence for development into a policy that binds all federal offices, with a clearly-prioritised and time-bound action agenda for making progress on policy coherence for development.
	A parliament postulate in 2007 advocated for more efforts on policy coherence for development.	
	Civil society's awareness of, and engagement in Switzerland is relatively high (see Block 3)	
Building Block B: Policy coordination mechanisms	**Consensus culture** fosters policy coordination.	Ensure that development concerns are consistently integrated into inter-departmental agreements.
	New interdepartmental agreements / strategy papers since 2006 (FDFA and other Federal Departments) on health, research, and climate, and energy; Africa strategy	
	Inter-departmental Committee on Development and Co-operation (IKEZ) bolstered to ensure consistency of development co-operation with other policies.	Create high-level function for reviewing policies for their compatibility with Switzerland's development goals.
	Advisory Committee on Development advises Federal Council and parliament, but its mandate is limited to internal coherence.	
	Interdepartmental working groups on specific issues (e.g. corruption, climate, migration, etc.) play a role in shaping policies beyond development policy	Continue inter-departmental coordination. Use new thematic networks to create (and monitor) awareness about coherence for development in all policy areas, including in new fields now covered by thematic networks.
	Engagement for supporting **whole-of-government approaches (WGA):** organisation of a conference on WGA in Conflict Situations and Fragile States (2009)	Build on experience gained in co-operation with fragile states to draw lessons in whole-of-government approaches that could be applied also to policy coherence for development
Building Block C: Monitoring, analysis and reporting systems	Switzerland recognises monitoring, analysis and reporting as weak points in its system.	A more systematic approach to monitoring policies' impacts on development could be taken. Include assessment of development impact in evaluations of domestic policies.
	Two reports with a bearing on policy coherence for development were published by the Swiss administration: MDG progress report, and *Les interactions de la Suisse avec le monde* (2007).	Switzerland is open to working more with NGOs and think tanks in this area. It should take advantage of these resources, as well as of field staff from cooperation offices and embassies, to monitor the impact of policies on poverty.
	Alliance Sud and Declaration of Berne both produced papers on policy coherence for development.	

At the same time, Switzerland acknowledges that its contribution to development is linked to its own "well-understood self interest" (CH, 2008b),[2] or indeed a "blend of Swiss interests and solidarity."[3] This recognition that policy coherence is about prioritising among many – and sometimes conflicting - political views and interests is inherent in its practical implementation. It will be important to ensure that national policy interests do not compromise poverty reduction goals, and that win-win solutions are found. Despite the *Guidelines North-South*'s call for such a framework, it is yet to be set up. Setting one up will involve translating Switzerland's vision into a framework that requires policies such as migration, trade, banking or environment to be assessed against *their effect on development*. This framework, which should be common to all federal offices, should also have a clearly-prioritised and time-bound action agenda for making progress towards policy coherence for development.

In general, coherence can be promoted at several levels, including (i) coherence of development policy within ODA (*internal coherence)*, and (ii) coherence of *other policies* with the development co-operation policy (this is what the OECD promotes as *policy coherence for development)*. However, what is described as 'policy coherence for development' in many Swiss documents is, in fact, internal coherence. For example, parliamentarians in 2007 submitted a postulate to the Federal Council, calling for better coherence of foreign policy activities with development goals. The Federal Council, in its official response, rejected the proposal, referring to its efforts on *internal* policy coherence.[4] This was a missed opportunity to address policy coherence for development. Thus, importantly, policy coherence for development is not limited to internal coherence within the delivery of the aid programme (though this is an area in which Switzerland has made progress, *e.g.* by strengthening the Inter-departmental Committee on Development and Co-operation, IKEZ). Rather, it requires *other* policies to be checked against Switzerland's development goals (see above). A better understanding of the concept — including within the Swiss administration — might enhance progress.

Policy progress: trade, taxation and recovery of stolen assets

Switzerland has made commendable progress on policy coherence for development in several areas which were analysed in the last peer review. These include trade, taxation, and pioneering work in the recovery and restitution of stolen assets to developing countries (Box 5). Switzerland is encouraged to share these experiences widely. Although Switzerland's agriculture remains among the most protectionist in the OECD, trade barriers have been reduced in certain areas. Preferential tariff rates are now applied to imports from developing countries, and tariffs have been dismantled on all products from least developed countries since 2007. A particular success story has been the SECO-sponsored cotton initiative for four West-African countries (Chapter 6). However,

2 Page 2971. The German term used in the bill is "wohlverstandenes Eigeninteresse".

3 Memorandum, p.16. (The Memorandum submitted to the DAC on 27th February 2009 by Switzerland to be referred to as "the Memorandum" in the report).

4 Postulate 07.3199 – Entwicklungspolitische Kohärenz der aussenpolitischen Aktivitäten, submitted to the Swiss National Council on 23 March 2007. A postulate is a request by the Swiss Parliament that demands that the Federal Council determine whether a specific issue requires drafting legislation (federal act, federal decree, or ordinance), or take other appropriate measures. It can also demand the preparation of a report.

removing further barriers to imports from developing countries would help Switzerland meet its commitment to promote the economic growth of developing countries and reduce poverty.

Switzerland's 2009 adoption of the OECD principles of transparency and information exchange is another step towards a more coherent approach to development. Its contribution to global efforts to ensure that financial assets (and the income they generate) are reported to tax authorities can have a particularly positive effect on developing countries.[5]

Policy co-ordination mechanisms

The need to use mechanism more effectively to implement the policy coherence vision

The second building block of policy coherence is the institutional framework: mechanisms that enable the various parts of a government to discuss a policy and resolve any conflicts or inconsistencies in its implementation. Among DAC members, such mechanisms range from informal co-ordination mechanisms, through to the systematic screening of legislative proposals for development impacts, to dedicated policy coherence units.

In the *Synthesis Report on Policy Coherence for Development* (OECD, 2008a), Switzerland was among the DAC donors whose policy co-ordination mechanisms for policy coherence for development were least advanced. Overall, little progress has been made since. Switzerland considers the Interdepartmental Committee on Development and Cooperation (IKEZ), chaired by SDC, as the main instrument to promote coherence for development. Yet, a closer look at its mandate, as defined in the Federal Act on International Development Cooperation and Humanitarian Aid (1977, Art. 24), reveals that it is a body mainly tasked with preparing decisions taken by the government on development co-operation and ODA. It does not, however, have a mandate that goes beyond ODA and development co-operation, and therefore is a body to tackle internal coherence of development policy, rather than policy coherence for development.

Box 5. Recovery and restitution of stolen assets to developing countries: Switzerland's pioneering role

Public officials who illegally enrich themselves through state funds deprive their country of capital and obstruct its development. Assets stolen by public officials from developing and transition countries are estimated at USD 20-40 billion per year worldwide, amounting to 20-40% of global ODA flows (World Bank and UNODC, 2003; Baker 2005). Switzerland, whose banking sector accounts for 12% of the country's GDP, came under scrutiny in recent decades over stolen assets stored in Swiss bank accounts. In response, it took a proactive approach and became a pioneer in recovering and restituting stolen assets to developing countries. Over the last six years Switzerland has returned a total of CHF 1.7 billion to the Philippines (2003), Nigeria (2005), Peru (2006), Kazakhstan (2007), and Mexico (2008).

.../...

5 See para. 47 in C(2009)66

(Cont'd)

The recovery and restitution of stolen assets is a good example of policy coherence for development. As Switzerland painfully realised after restoring funds to Nigeria, the success of each initiative depends on legal and financial cooperation between Switzerland and the country of origin, and therefore crucially hinges on the institutional capacity (and willingness) of that country. Yet the weakness of institutions is often the very reason why funds could be misappropriated in the first place. Therefore, Switzerland's Departments of Justice, Finance and Foreign Affairs, SDC, and SECO jointly engage in the following key activities:

- To prevent the abstraction of funds, Switzerland's development co-operation implements good governance programmes, making the prevention of corruption a cross-cutting issue in development co-operation in 2008. It supports the International Centre for Asset Recovery (ICAR) in Basel, which creates good governance capacity in developing countries and is currently implementing seven programmes worldwide (see Box 9, Chapter 6).
- To identify the origin of funds, anti-money laundering legislation (including a 'know-your-customer' requirement) was introduced to complement the 1977 due diligence rules for Swiss banks. Switzerland's legal framework allows the freezing of assets even before a formal request is made by foreign authorities.
- In matters related to reporting and freezing of suspicious transactions, the Money Laundering Reporting Office and the Federal Prosecution Office play a key role.
- Legal assistance to foreign authorities enables cooperation with the states of origin. It allows Switzerland to share information on suspicious accounts that can be used as evidence in criminal proceedings.
- Switzerland aims to negotiate the return of stolen funds to their rightful owners, and to align them with the development strategy – e.g. through budget support or a jointly-managed fund.

Finally, Switzerland has launched several initiatives to promote internationally coordinated action. Since 2001, it has organised regular informal meetings on the recovery and restitution of stolen assets in Lausanne. It helped to establish the joint World Bank/UNODC (UN Office on Drugs and Crime) initiative StAR (Stolen Assets Recovery) in 2007. StAR enhances partnerships between developed and developing countries to strengthen relevant capacity, supports the ratification and implementation of the UN Convention Against Corruption, and monitors the use of restituted assets.

Several inherent formal practices in the Swiss system, however, do provide opportunities to foster policy coherence in general. They could potentially enhance policy coherence for development, but their impact on coherence depends on how effectively these channels are being used to this effect:

- The Federal Council, consisting of seven councillors (ministers) of equal status, often takes policy decisions in consensus. The institutional set-up whereby two departments – FDFA and FDEA - are involved in development co-operation means that two councillors, rather than one, have an inherent interest to ensure that the council's decisions take a development perspective.
- The requirement for consensus in the Federal Council also means that policy papers and draft laws are discussed in detail by departments before they reach the council. This involves an extensive process of consultation of departments, offices, cantons, interest groups and civil society by the competent department. Inter-departmental thematic working parties are formed to prepare certain strategies, as has been the case for energy, water, climate change, forestry, migration, corruption, security sector reform, and small arms. SECO and SDC are included in all these consultations, though the relevant policy department is under no obligation to adhere to their comments.

- A representative of SDC is present during the FDFA's preparations for government meetings. This is an opportunity for SDC to raise issues of coherence early on. However, these comments are purely advisory in character.
- The Advisory Committee on International Development Co-operation (Chapter 1) was set up to "verify the goals and priority of measures" of development co-operation, humanitarian aid, and aid to Eastern Europe, and is also consulted on questions with a bearing on foreign trade policy (CH, 1976, Art. 14). It aims to improve coherence. However, although its inputs are delivered to the Federal Council and parliament — *i.e.* at the right level to have an impact — its mandate prevents it from discussing coherence of non-aid policies (other than trade) with development.

Since the last peer review, a new institutional mechanism involves inter-departmental agreements between the FDFA and other departments, submitted to the Federal Council. These agreements are signed for sector strategies with international implications, for which federal departments other than the FDFA are primarily responsible. The first was Switzerland's health foreign policy (2006). Policies on research and climate followed, and one on energy is currently under preparation. Experience from other DAC members shows that such agreements can have great potential for promoting policy coherence for development (OECD 2008b, para. 37), provided they stress the shared responsibility, and introduce clauses on sensitive sectors. Switzerland's health foreign policy is a good example: one of its goals is to "manage the migration of health professionals" in a way as to refrain from "depriving developing countries of the health workforce they need". This indicates that Switzerland is indeed using this new institutional mechanism in a way that fosters coherence. Although this new formal mechanism marks progress towards policy coherence for development, the process leading to it remains weak. It still relies on the same consultation procedure, in which the influence of development actors remains limited.

Even in small countries with compact governments and short lines of communication, the effective use of existing mechanisms for policy coherence for development is essential. Switzerland should explore ways to ensure that development concerns are heard in the legislative debate and integrated in inter-departmental agreements. It could improve its system by making better use of existing mechanisms or, if necessary, identifying or establishing a high-level institutional mechanism for this purpose. Mandates and responsibilities for policy coherence for development must be clear and fully involve departments beyond FDFA, SDC, SECO, and Finance.

Results monitoring of policy coherence for development: room for improvement

The third building block of policy coherence for development is a system to monitor the impacts of a country's policies, analyse the evidence collected, and report on the impacts of domestic and foreign policies on its development efforts and results.

As for most DAC donors, monitoring the impact of its policies is a challenge for Switzerland. Switzerland makes considerable effort to evaluate and report on its development co-operation programmes (Chapter 4). Yet, reporting to the public or to parliament on the development impacts of domestic and foreign policies is in its early stages, although Switzerland has taken some initial steps since the last peer review. The MDG report published by the Federal Council in May 2005 (CH, 2005), and the SDC-commissioned report *Les interactions de la Suisse avec le monde* (SDC, 2007a) both explore the impact of Swiss policies on poverty reduction or pro-poor globalisation. Switzerland is encouraged to build on these reports, and take a more systematic approach to monitoring policy coherence for development. It could learn from the good practice of other donors (such as the Netherlands, Sweden, Finland, or the UK) and from the OECD's work on measuring progress in policy coherence for development (OECD, 2008a).

Monitoring and reporting on policy impacts requires analytical capacity. The reports mentioned above were written by IKEZ and external consultants. Switzerland should use expertise and analytical capacity both within and outside government to identify policy areas that are not coherent with its development objectives, and formulate recommendations for the policy-making process. This might imply giving an additional mandate and resources to an existing body – such as IKEZ, the Advisory Committee, or a government body - or establishing a new government unit dedicated to this task alone. Building long-term relationships with universities, think tanks and civil society organisations could also help Switzerland to access relevant policy knowledge.

The example of migration

Migration from developing to high-income economies is a fundamental feature of globalisation. However, the links between migration and development are complex and remain poorly understood. The focus of the debate has shifted significantly over the past years. Previously, it focused on reducing migration pressure through development co-operation. Today, migration is recognised as a potential driver of development, and migrants and diaspora organisations are seen as agents for poverty reduction (IOM, 2005). The OECD/DAC aims to improve policy coherence to maximise the developmental benefits and minimise the developmental costs of migration (OECD, 2008a).

Migration is an important subject in Switzerland's political debate, as it is for other donors. Foreign nationals account for a quarter of Switzerland's working population; and the country bears a large share of the burden of refugees during humanitarian crises,[6] currently hosting over 23 000 refugees. In 2008, the expenses of the Federal Office for Migration peaked at over CHF 0.9 billion (USD 0.84 billion; FOM, 2009). A little less than one-third of this counts as ODA. Switzerland actively contributes to international fora on migration issues. It supports the formulation of a widely-shared political UN agenda on migration issues, and promotes the Global Forum on Migration and Development as a catalysing force for co-operation on migration issues. In 2007, the FDFA's Political Division IV dedicated its annual conference to an international discussion of the opportunities and challenges of migration.

Increase the focus on the development opportunities of migration

Switzerland is slowly beginning to recognise migration as an opportunity, rather than a threat. Recent internal documents testify to a positive, holistic understanding of migration. Swiss migration policy has recently introduced two new whole-of-government

6 These facts were highlighted by the Global Center for Development in its Commitment to Development Index 2008.

concepts. Firstly, the new *Law on Foreigners (2008*), mandates the Federal Council to "promote bilateral and multilateral migration partnerships in order to reinforce migration-linked co-operation and reduce illegal migration and its negative consequences" (Art. 100). Such migration partnerships have been signed with the Western Balkans for 2007-2010.[7] They can be valuable entry points for considering developing countries' needs. The aspects they address vary depending on the partnership, and can include the strengthening of migration management capacities, return assistance, prevention of irregular migration, fight against trafficking in human beings, remittances, development co-operation or humanitarian aid (FOM, 2008). The second concept is that of "protection in the region": helping third countries strengthen their authorities' capacity in protecting, and improving the living conditions of, and sustainable solutions for, refugees. Switzerland should take advantage of the lessons emerging from these initiatives, while recognising that: (1) migration partnerships alone cannot bring overall policy coherence for development for the issue of migration, and cannot substitute for clear parameters for handling the development-migration nexus; and (2) that implementing the holistic spirit of the new migration instruments requires an increased focus on the development aspects of migration. Linking migration and development remains a common challenge for the donor community and requires a collective effort. Switzerland can both contribute to, and learn from other donors' engagement in this complex area.

At the same time, the new law on foreigners, applicable to non-EC/EFTA nationals, illustrates the long way Switzerland still has to go in creating laws and mechanisms that ensure that the needs of developing countries are also considered. The law states that the admission of foreigners is guided by the needs of the Swiss economy; its culture and research, demographic and social developments, as well as its humanitarian and international legal commitments (Art.3). Clearly, the opportunity was not seized to incorporate development goals within the law. In particular, this new law only admits highly-skilled immigrants. Switzerland had previously been lauded for its large intake of unskilled workers during the 1990s, but this intake is expected to fall rapidly[6]. The new policy runs counter to recent research which suggests that migration of low-skilled workers has large positive gains for countries of origin, while the development gains of highly-skilled migrants remains mixed at best, as the "brain-drain" deprives developing countries of professionals, entrepreneurs and leaders (OECD, 2007a).

Ensure that operational co-ordination is backed up by high-level arbitration

Since all of the above concerns were raised but ignored during the consultation process for the draft law, it appears that either a higher-level authority, or a more effective use of existing instruments, is needed to effectively stress and defend the development dimension of migration not only at the operational, but also the legal and policy level. Inter-departmental co-ordination mechanisms do exist to steer and implement programmes: (1) the Commission of the Inter-departmental Committee on Migration was established in 2003 to link foreign policy with migration. It is jointly led by the Federal Office for Migration (FOM) and the Political Division IV of the FDFA; (2) at the technical level, the FOM and SDC lead an inter-departmental working group on return aid. Further, the Office for Migration and SDC work closely with governmental and NGO

7 The Office for Migration and Liechtenstein fund the Western Balkans programme (CHF 13.5 million for 2007-2010). It comprises individual voluntary return programmes, migration management projects and socio-economic structural development to reduce migration pressure.

partners and the International Organisation for Migration in designing and implementing the programme. Switzerland's migration actors could well reflect on how to stress more effectively development concerns in Swiss law and the migration debate.

SDC is currently establishing a new global programme on migration with an annual budget envisaged to grow to CHF 10 million by 2012. It will complement the operations of the Political Division IV and the Federal Office and will support political dialogue at the bilateral and international levels. While the global programme and the inter-departmental mechanisms are positive approaches to co-ordinating programming and implementation, Switzerland needs to ensure that its development co-operation is not serving a migration policy that undervalues development concerns. Genuine coherence and win-win solutions require a policy basis. Mechanisms for co-ordination cannot substitute for this. In June 2009, a Special Ambassador for international migration was appointed to the FDFA, as part of SDC, and works on behalf of the Inter-departmental Committee on Migration. This post could — if given a high-level mandate — help to voice the development dimension more effectively.

A need for more systematic monitoring, analysis and reporting

Switzerland's administration, academia, and press take great interest in migration issues. The Political Division IV of the FDFA analyses migration from a human security perspective; and development aspects of migration have been the subject of various workshops, conferences, and papers, including a SECO study on the Swiss-Serbian remittance corridor. But efforts to monitor and analyse the impact of Switzerland's migration policies on development could be more systematic. For instance, the annual Migration Report or country analyses by the Federal Office for Migration could also study the impact of Switzerland's migration practice on development in terms of foreign labour markets, brain drain/gain, or remittances. Within SDC, the newly established thematic network on migration, and SECO, SDC and PD IV field-level resources, including the newly-established SDC global programme on migration, could help to monitor the impacts of Swiss migration policies in developing countries.

Future considerations

- Switzerland should promote a better understanding of the concept of policy coherence for development - including within the Swiss administration.
- Switzerland should translate its vision of policy coherence for development into a framework common to all federal offices. This should include a clearly-prioritised and time-bound agenda, and it should be compulsory for policies such as migration, trade, banking and environment to be assessed for their effect on development.
- Switzerland should explore ways to ensure that development concerns are heard in government decision-making and in the drafting process of law, and that best use is made of inter-departmental agreements to promote development through domestic and foreign policies. If necessary, it should identify or establish a high-level institutional mechanism for this purpose.
- Switzerland should make efforts to better measure, monitor, and report on the impacts of its domestic and foreign policies on its development efforts and results. It should use the expertise of its field-based staff and external entities more systematically for this purpose, and learn from the good practice of other donors.

Chapter 3

Aid Volume, Channels and Allocations

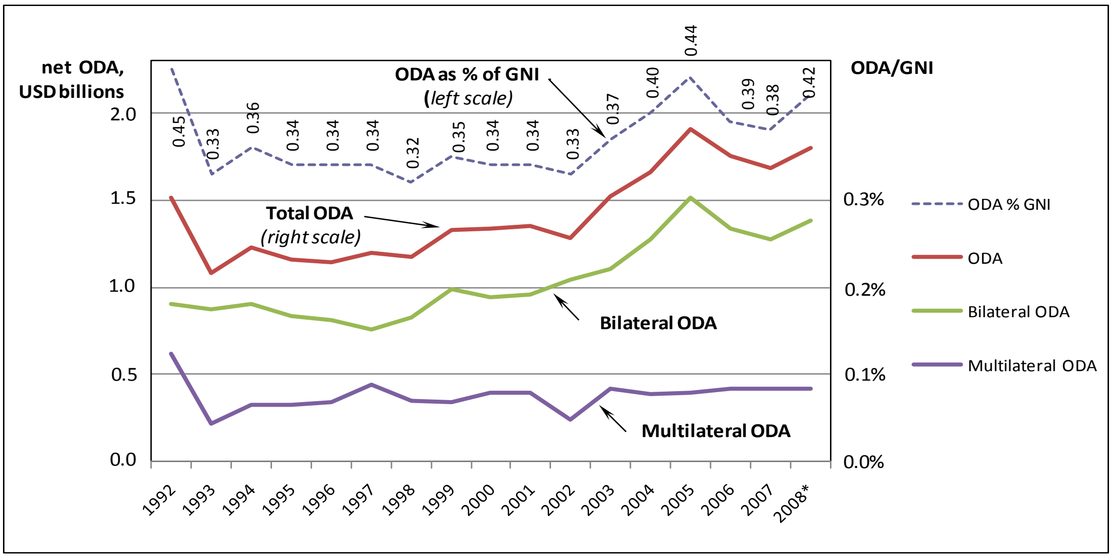
ODA volume

ODA increases: the challenge to stay on track

Switzerland is back on track to meet its official development assistance (ODA) targets. After its net ODA declined from USD 1.77 billion in 2005 to USD 1.68 billion in 2007 (an 11.5% decline in real terms), preliminary data show that it picked up again in 2008 to reach USD 2.02 billion.[8] This is a real increase of 6.5% between 2007 and 2008, mainly due to growth in bilateral assistance (Figure 2).[9]

Figure 2. Swiss net ODA 1992-2008

Constant 2007 USD billions and % of GNI



Source : OECD/DAC

* *preliminary*

8 All 2008 figures in this chapter are preliminary data and are subject to revisions at the end of 2009.

9 Increase calculated on the basis of 2007 USD prices and exchange rates. The increase in CHF is 9%.

After a steady decline from 0.44% in 2005 to 0.38% in 2007, mainly due to a fall in debt relief, Switzerland's ODA/GNI ratio reached 0.42% in 2008, which surpassed its Monterrey target of 0.4%. This increase is both positive and timely. Switzerland fell in its ODA/GNI ranking among the 22 DAC members from 9th (2003) to 12th (2008). However, about half of the increase of the ODA/GNI ratio was coincidental, resulting from the contraction of Swiss GNI from USD 455 to 433 billion between 2007 and 2008.[10]

Switzerland is basing its financial planning for 2009 and beyond on an ODA/GNI ratio of 0.4%, and anticipates an ODA/GNI ratio of 0.45% for 2009. This is commendable in the face of the current global economic downturn and increased budgetary pressure, heightened by Switzerland's self-imposed debt brake introduced in 2002 that limits expenditure for the federal budget and account.

As noted in Chapter 1, parliament recently asked the Federal Council to outline a growth path to reach a 0.5% ODA/GNI ratio by 2015. This would represent an addition to the existing framework credit of about CHF 340 million for the period of 2010-2012. The council is preparing to put this proposal to parliament by September 2009 through an additional bill. The peer review team encourages Switzerland to adopt the 0.5% goal. Once having achieved this target, it could consider setting a target for reaching the 0.7% UN goal.

An ODA increase based on adjustments in reporting – but a drop in programmable aid

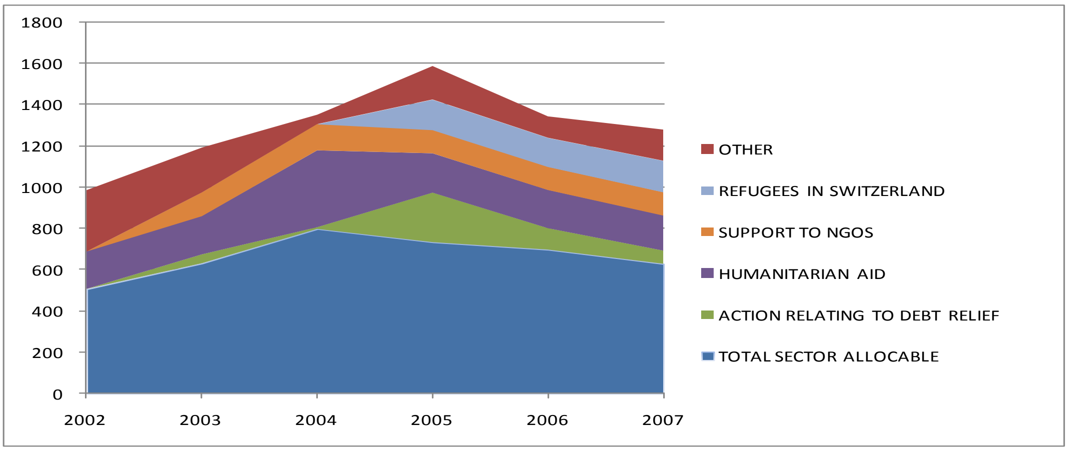
Increases in total ODA since 2003 mainly stem from a rise in bilateral ODA. However, they relate to elements outside development programmes and projects in developing countries (Table B.2). Migration and debt relief began to emerge as significant amounts of ODA in 2005, as illustrated by the breakdown of Switzerland's ODA trends per sector over recent years (Figure 3). The ODA increases in these two sectors were primarily due to Switzerland adjusting its statistical reporting to match DAC practice: Switzerland's ODA figures have included bilateral debt relief since 2003 (which peaked in 2005 with debt relief for Iraq and Nigeria), costs related to asylum seekers since 2004 (12% in 2007), and the use of military equipment for delivery of humanitarian aid since 2005 (0.5% in 2007). Once reporting changes are filtered out, it becomes evident that total sector allocable aid actually declined between 2004 and 2007. Indeed, country programmable aid (CPA) — the portion of ODA that the partner countries themselves can use according to their needs — fell from USD 626 million (49%) to 588 million (46%) during that time.[11]

10 Preliminary GNI figures, constant 2007 USD. Had GNI remained the same in 2008, the ratio would be 0.39%.

11 These numbers for CPA, and the percentages, were calculated in constant (deflated) 2007 USD.

Figure 3. Evolution of Swiss bilateral ODA by sector, 2002-2007

Constant 2007 USD millions, gross disbursements



Source: OECD, 2009

Preliminary figures show that most of the nominal increase in ODA of about USD 182.4 million between 2007 and 2008, though laudable, was not planned: increases in humanitarian assistance and co-operation with Eastern Europe and CIS were only minor. Instead, half of the ODA growth is accounted for by the increased cost of assistance to asylum seekers during their first year of stay in Switzerland. Their numbers increased by 53% between 2007 and 2008, bringing this component of ODA up to 12%, a higher share than any other DAC member.[12] Another fifth of Switzerland's ODA increase was for debt relief, due to exceptional agreements undertaken in the Paris Club for Iraq. In conclusion, Switzerland's nominal increase in ODA, and the increase of its ODA/GNI ratio, were largely due to circumstances other than a policy-driven increase in funds available to developing countries.

From 2008, Switzerland has committed to paying a non-ODA contribution of CHF 1 billion to the EU for ten countries that joined the EU in 2004. This is to help address economic and social disparities in an enlarged EU. A further CHF 257 million will go to support Romania and Bulgaria, who joined in 2007. It is positive to note that Switzerland resisted political pressure to compensate for its contribution to the Cohesion Fund by cutting funds for development co-operation. Indeed, these commitments would not conform to Switzerland's federal laws' focus on poorer developing countries (CH, 1976), or those in which the transition process is least advanced (CH, 2006). As a result, 5% of the framework credit for Eastern Europe and CIS (2007-2012) is not eligible for ODA (Table 2). The phasing out of programmes in Romania and Bulgaria demonstrates consistency.

12 Switzerland receives the fourth highest ratio of asylum seekers per capita in the OECD (182 asylum seekers per 100 000 inhabitants) after Sweden (475), Greece (268), and Norway (191). Of the 16 600 asylum seekers, most came from Eritrea, Somalia, Iraq, the Balkans or Sri Lanka (EJPD, 2009)

Table 2. Framework credits for Swiss development co-operation and humanitarian aid

	Type	Agency	Name	Amount in CHF (million)	Expected Timeframe
1	**Technical co-operation and financial assistance to developing countries**	SDC	11th framework credit	4500	2009-2012
2	**International humanitarian aid**	SDC	20th framework credit	1500	2007-2011
3	**Economic and trade policy measures for development co-operation**	SECO	7th framework credit	800	2009-2012
4	**Co-operation with Eastern Europe and CIS**	SDC / SECO	4th framework credit	730 (95% is ODA)	2007-2010
5	**Regional development banks**	SDC/ SECO	Framework credit for Swiss participation in the capital of multilateral development banks	800 (of which 45 million disbursed)	Approved by parliament: 1995
6	**Bretton Woods institutions**	SECO	Swiss accession to the Bretton Woods institutions	4986 (of which 433 million disbursed)	Approved by parliament: 1991
Other:					
7	**Global environment**	DETEC (FOEN)	Framework credit for Swiss contributions to GEF and multilateral Ozone Fund	109,77 (97% is ODA)	2007-2010
8	**Civilian peace and human rights**	FDFA, (PD IV)	Framework credit for civilian peace and strengthening of human rights	240 (90% is ODA)	2008-2012

Source: Information received from SCD/SECO, April 2009

Predictability through multi-year frameworks for ODA

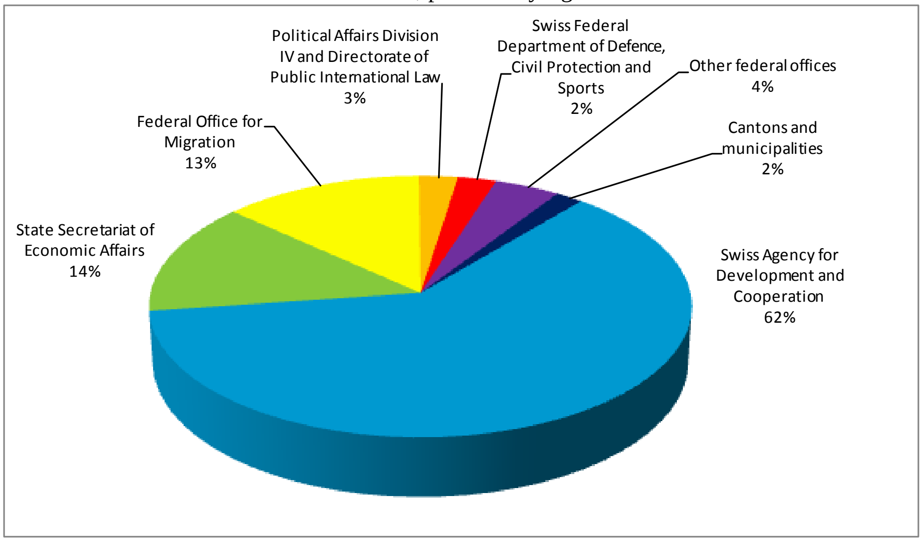
In line with Article 9 of Switzerland's *Federal Act on Development Cooperation and Humanitarian Aid (1976)*, the Swiss parliament approves the financial resources for Switzerland's development co-operation through multi-year framework credits with predetermined amounts. Allocations flowing from these framework credits are approved annually in the budget of the Confederation. These four to five-year commitments allow field offices to make multi-year commitments at the programme and project level, providing Switzerland's development actors with a predictability that is appreciated by partners. The largest appropriation is for technical co-operation and financial assistance to developing countries in the South, executed by SDC, which will be CHF 4.5 billion over four years.

A strategic use of resources

Switzerland's development assistance is primarily administered by SDC (62%) and SECO (14%), although with 13%, the Federal Office for Migration stands out as an unusually large contributor to ODA (see above). The remainder of the ODA appropriation is spent by other ministries, as well as 24 cantons and about 200 municipalities (Figure 4). The fact that three-quarters of ODA is administered by the two aid agencies means that funds can be used strategically to implement Switzerland's development goals as determined by parliament.

Figure 4. Contribution of different Federal Offices to Swiss total ODA

ODA disbursements, preliminary figures for 2008



Source: Ministry of Foreign Affairs, March 2009, www.eda.admin.ch (preliminary 2008 data)

Allocation of bilateral development assistance

Switzerland's gross bilateral ODA has been stable at around 75% of total ODA in recent years (Table B.2). This percentage is roughly equal to the DAC average. Most of it is channelled through the public sector. Remarkably, one-third flows through NGOs and civil society, which is more than the DAC average share. A further 13% is channelled through multilateral organisations at the country level (so-called multi-bi). As both SECO and SDC aim to strengthen their focus on public-private partnerships, funding through that channel is expected to increase, but currently receives very little attention (0.5%) compared to others (Chapter 4).

Geographic allocation: ensuring concentration

Reducing priority countries is a step in the right direction

The 2005 DAC peer review recommended that Switzerland reassess its number of priority countries, which totalled 28 between SDC and SECO alone. This recommendation was echoed by the Control Committee of the Swiss Federal Assembly in 2007. The 2008 framework credits do now provide for a strengthened geographic focus. SDC is gradually reducing its spread from 17 to 12 priority countries, with further concentration planned after 2012 (CH, 2008b). Its focus is on least developed countries and countries in conflict situations. SECO countries are also being reduced from 16 to seven (CH, 2008c) with a focus on more advanced developing countries. The Foreign Department's Political Division IV concentrates on seven contexts affected by fragility, conflicts and security risks, and three countries for human rights dialogue. But as Table 3 illustrates, SDC, SECO, and PD IV have not yet reached the geographic complementarity for which they are striving. Their geographic focus also remains weak: their priority countries, special programmes, Eastern Europe, and regional programmes add up to over 30 geographic "priorities".

Table 3. Priority countries and special programmes of the Swiss Development Co-operation system

SDC		**SECO**		**FDFA-PD IV**
Six countries and two regions in the East / CIS:		**Nine countries in the East/CIS:**		**Four priority countries, three regions for civilian conflict transformation programmes**
Albania, Bosnia-Herzegovina, Kosovo, Moldova, Serbia, Ukraine; Central Asia, South Caucasus	***By 2007, phased out from:*** *Bulgaria, Romania*	Albania, Azerbaijan, Bosnia-Herzegovina, Kyrgyzstan, Macedonia, Serbia, Kosovo, Tajikistan, Ukraine	***By 2007, phased out from:*** *Bulgaria, Romania*	Colombia, Nepal, Sri Lanka, Sudan; South-East Europe, Middle East, Great Lakes
10 poor / poorest countries and two regions: technical co-operation and financial assistance		**Seven low or middle income countries: economic and trade policy measures**		**Three countries for Human Rights dialogue:**
2012 onward: Benin, Mali, Niger, Chad, Burkina Faso, Mozambique, Tanzania, Bangladesh, Nepal, Bolivia; Mekong Region, Central American Region	***By 2012, phasing out from:*** *Bhutan, Ecuador, India, Pakistan, Peru*	Vietnam, Indonesia, Colombia, Peru, Egypt, South Africa, Ghana	***By 2012, phasing out from:*** *Bolivia, Nicaragua, Burkina Faso, Jordan, Mozambique Tanzania, Tunisia*	China Iran Vietnam
Seven Special Programmes				**Other interventions**
Afghanistan, Cuba, Macedonia, Mongolia, Palestinian territories; Great Lakes region, Southern Africa				*Depending on trends and events*

Source: Information received from SDC, SECO, and Political Division IV (August 2009)

This long list of "priority countries" and a broad field presence reflects the preference of the Foreign Ministry. Such an approach can provide entry points for political relations, mediation, and a presence on the ground in case of humanitarian emergencies. Yet the more countries Switzerland covers, the more administrative costs it incurs, and the lower the efficiency of its aid programme. Switzerland could therefore further refine its geographic focus. The engagement in fragile contexts needs to be understood in line with the DAC *Principles for Good International Engagement in Fragile States and Situations*, through which Switzerland committed to the longevity of its support to those states. For other development contexts, however, Switzerland would benefit from articulating what criteria should govern its continuation or withdrawal, respectively, and how transition or exit can best be managed.

A true focus on least developed countries (LDCs), Africa, and fragile states

Switzerland's allocation of development funding follows its principles. *The Federal Law on Development Co-operation and Humanitarian Aid* (CH, 1976) states that poorer developing countries should be the priority recipients of Swiss development assistance. Statistics confirm that 41% of gross ODA allocable by income goes to LDCs, and 24% to other low-income countries. Since 2005, the share of assistance to LDCs has grown slightly and the share to low middle-income countries diminished somewhat. Net disbursements of bilateral and multi-bi ODA to LDCs show, however, that this focus becomes diluted when other components of aid are considered (such as debt or multilateral expenditures at the country level). With 29% of its net disbursements going to LDCs, Switzerland lies slightly below the DAC average (see tables B3 and B6).

Switzerland also continues to honour its commitment to Africa. The largest share (40%) of bilateral ODA allocable by region benefits the African continent (38% to Sub-Sahara) and has represented an ever growing slice of the pie since 2005. Asia is the second largest recipient continent (28%). Switzerland's contribution to Europe has contracted from 20% in 2006 to 14% in 2007, but remains high against the DAC average (4%).

Furthermore, 14% of Swiss bilateral ODA was disbursed to fragile states, notably Kosovo, Sierra Leone and Afghanistan, according to 2007 SDC data. Supporting specific regions which are facing fragile situations, conflicts and security risks is one of the goals of Swiss co-operation (CH, 2008b; CH, 2007a).

The need to avoid spreading aid too thinly

Among the top 20 recipients of Swiss bilateral assistance in 2006/7 (Table B.4), all but a few countries (Nigeria, Cameroon) were either among Switzerland's priority countries or part of its special programmes (Afghanistan).[13] Switzerland's distribution follows a rather flat "curve" if one compares it with the DAC median. The top 20 recipients together received in 2006/07only one-third of Switzerland's gross ODA, while DAC countries on average spent 60% of their funding on them. This seems to mirror Switzerland's desire to be present in a broad number of countries and use development co-operation as a peg for foreign policy interests, rather than to be effective in a few countries. SDC's objective to spend at least CHF 20 million in each priority country per year and CHF 10 million in countries under special programmes (CH, 2008b), and SECO's plan to spend 50% of its budget on its seven priority countries (CH, 2008c), are therefore steps in the right direction. This should allow for economies of scale and a significant Swiss contribution in the countries in which it engages.

Balancing approaches to low and middle-income countries

The 2008 bills introduce a clear distinction of approaches depending on the income of recipient countries. Technical co-operation and financial assistance, delivered by SDC, are reserved for countries with an average per capita annual income of below 825 USD. Financing for economic and trade policy measures, delivered by SECO, is designed for lower middle-income countries (MICs: average income of USD 826-3 255 per capita per year) with high economic growth and on the threshold of integration into global markets, but that face significant development challenges. Switzerland should carefully monitor the impact of this new choice of priorities. It should maintain an interest in economic growth in LDCs, while not losing sight of its goal to reduce poverty (*i.e.* enhance equity) when engaging in MICs. It should also maintain a wide variety of instruments in both types of countries (see also Chapter 5).

13 Debt forgiveness to Serbia and Nigeria in 2006 and to Cameroon in 2007 affected the distribution by income or geographical region.

A better concentration on fewer themes

In 2006-2007, Switzerland's largest and growing sectoral contribution was to social infrastructure and services (22% of bilateral gross disbursements). Should an additional bill be approved, SDC envisages further increases in this sector, especially water for the rural poor.[14] Within this sector, Switzerland also contributes a significant and growing amount to government and civil society (12%) to address conflict, peace and security, as well as anti-corruption and governance measures, which have received much political attention over the past years. Switzerland's second most important sector is humanitarian assistance at 14% - double the DAC average (Table B.5, Annex C); a sector in which Switzerland considers itself to have a comparative advantage.

The Foreign Ministry considers that geographic concentration alone does not bring about efficiency, and therefore highlights the importance of a niche focus. Nevertheless, the 2005 peer review found that ODA was thinly distributed across sectors and themes, and this has not changed. Thus the decision to reduce the focus to 2-3 sectors in country programmes is commendable, though evidence from the field (Nicaragua, Albania, see Annexes D and E) suggests that more thinking is needed on how best to achieve this. To better concentrate on fewer themes, Switzerland should follow its intent to engage where it has a comparative advantage (Chapter 1).

Aid to and through non-governmental organisations

A high percentage of Switzerland's bilateral aid is given as core support to NGOs (9%) or is channelled through NGOs (13%) for implementing projects (Tables B.1 and B.5, Annex B). SDC pursues strengthened co-operation with Swiss NGOs and values their experience and know how. It underscores the importance of the independent, private nature of NGOs, and in its NGO strategy limits its co-financing to 50% of the programme budgets of select Swiss NGOs. Switzerland's contribution to and through NGOs (USD 394 million in 2007, Table B.1) is greatly exceeded by private donations to NGOs, which accounted for USD 504 million (CHF 605 million) the same year.[15] Calls from SDC and SECO to better monitor programme funding may bring a requirement for enhanced NGO performance assessment. This might slightly challenge Switzerland's non-intrusive approach to NGOs (Chapter 4, Annex C), but on the other hand it may enhance transparency.

Multilateral assistance

Switzerland has a positive, strategic approach to multilateral agencies. As recommended in the last peer review, in 2005 SDC and SECO formulated a joint multilateral development strategy (SDC, 2005a). Its two key features are:

i. The great importance attached to linking Switzerland's multilateral approach with its bilateral engagement, both thematically and operationally. Beyond core funding, Switzerland often contributes soft-earmarked funds to multilateral organisations for specific regions or countries in which Swiss humanitarian aid or development co-operation intervenes. SDC has enshrined this approach in its structure by

14 . SECO plans to strengthen its existing engagement in the financial sector and trade promotion activities.

15 SDC website, http://www.sdc.admin.ch/printPreview.php?navID=93560&langID=1. 2007 figures.

integrating the responsibility for dealing with multilateral institutions with regional mandates and some thematic multilateral institutions. However, although this may be effective for maximising the impact of its bilateral assistance, we remind Switzerland that core contributions remain the resources most needed by multilateral agencies.

ii. The prioritisation of institutions which are highly relevant for Swiss foreign policy. In these institutions it endeavours to be both a strong stakeholder and shareholder, contributing both financially and by being part of their board. For instance, the World Bank is the largest recipient of Switzerland's IFI contribution, and Switzerland currently has an executive director on its board who leads a constituency of eight countries. Of second priority are organisations with strategic importance for Swiss co-operation with specific regions or themes, and to which Switzerland contributes depending on available resources. This, too, is a laudable approach.

Switzerland makes contributions to multilateral agencies in accordance with this strategy. In 2007 it achieved its own 2005 targets for allocating multilateral assistance, contributing 67% of its gross multilateral aid to IFIs (mostly the World Bank), 25% to the UN, and 8% to global funds and networks. Switzerland provides funding to 11 core UN bodies, funds and programmes, specialised organisations and global programmes and initiatives (Global Environment Facility, GEF; Global Fund to fight AIDS, Tuberculosis and Malaria, GFATM; as well as the Consultative Group on International Agricultural Research, CGIAR). SDC and SECO deal with most multilateral aid agencies, while the International Monetary Fund is being handled through the MOF. On the whole, the share of Switzerland's multilateral aid has stayed relatively stable over recent years at one-quarter of overall ODA. It is currently at 24.6%, slightly below the DAC average (26%).

Multilateral organisations view Switzerland as an exemplary donor. It contributes much of its multilateral funding as core contributions and multi-year grants (Table 4). This is considered good practice as it does not add to agencies' transaction costs in terms of administrative or reporting requirements, and allows them to spend funds in line with their own strategies. When providing earmarked funding, such as for the World Food Program, it often does so following consultation with the multilateral agency so that it can direct funding to the programmes it prefers (Annex C). This approach seems to be a constructive compromise between maintaining the "visibility" of Swiss funds while still allowing multilateral agencies to use the funds strategically. Switzerland also plays an effective role as a leader of a mixed constituency in the World Bank.

Table 4. Swiss contributions to select multilateral agencies

(2006-2007 averages, current USD million)

Multilateral agency		Core	Other un-earmarked	Multi-bi (earmarked)	Total	% un-earmarked
1	AFDF*	43.43	1.20	-	44.63	100%
2	IDA*	160.24	4.83	1.96	167.04	99%
3	IFAD	5.80	-	0.18	5.98	97%
4	UNFPA	10.20	-	0.32	10.52	97%
5	ASDF	10.81	-	0.61	11.42	95%
6	WHO	3.86	4.08	1.56	9.50	84%
7	UNRWA	9.15	1.67	2.23	13.05	83%
8	UNICEF	14.68	-	3.08	17.76	83%
9	UNEP	3.01	-	1.01	4.03	75%
10	UNDP	42.42	-	15.10	57.52	74%
11	UNHCR	8.97	-	11.18	20.15	45%
12	UNOCHA**	0.89	0.40	8.50	9.80	13%
13	WFP	1.63	-	29.42	31.05	5%

* Includes contribution to MDRI under *other un-earmarked* contributions

** In the absence of a separate channel code, funding for the Central Emergency response (CERF) is reported under UNOCHA as multi-bi (earmarked) funding for the time being, even though it is not actually earmarked by recipient

Source: OECD 2009

Switzerland is keen to improve the performance and results-orientation of multilateral organisations. As a contributor to the Multilateral Organisations Performance Assessment Network (MOPAN), it supports ways to improve and measure the effectiveness of multilateral organisations without creating additional frameworks. This is commendable. Beyond this, the Swiss administration should make efforts to communicate not only its own positive achievements to parliament and the general public, but also those of multilateral agencies. This would help garner support for programmes which give Switzerland direct visibility, as well as those in which it is less visible but has contributed to results.

Future considerations

- Switzerland is encouraged to adopt the goal to reach 0.5% ODA/GNI by 2015, and to commit to an ODA growth path driven by an increase in programmable aid. Once this target is reached Switzerland should consider setting as a new target the UN 0.7% goal.
- Switzerland should further concentrate geographic and thematic priorities in order to have greater impact. This should be done strategically, after defining the overall direction it wants to pursue. It should take account of the international division of labour (in a given country) called for in Accra, and hence the importance of a niche focus.
- Switzerland should monitor the impact of dividing SDC and SECO's operations — and consequent different approaches – among LDCs and MICs. Switzerland should ensure that its goal to reduce poverty is mainstreamed throughout the development co-operation system, and that it is not hampered by the new division of labour.

Chapter 4

Organisation and Management

Organisation

Building an effective aid programme despite a dual institutional structure

Two agencies are responsible for carrying out Switzerland's aid programme: SDC, within the Federal Department of Foreign Affairs (FDFA); and SECO, within the Federal Department of Economic Affairs (FDEA). Together they manage 81% of Switzerland's official aid, and some 95% of its bilateral programmable aid (CH, 2008b). SDC takes the lead in terms of volume (65% of total aid) and responsibility, being in charge of co-ordinating the Swiss aid programme overall. In addition to this institutional split, the Swiss legal system of credit frames also results in fragmented aid budgets, both between SDC and SECO and inside SDC. This split of the programme between two institutions has been subjected to an in-depth political and administrative review as recommended in the 2005 peer review, and also following a report by parliament's Control Committee in December 2006, which called for strengthened strategic coherence. The review took place between 2006 and 2008 in the context of a comprehensive reform to increase the efficiency of the federal administration. A specific subproject examined ways of eliminating duplication between SDC and SECO. The Federal Council came to the conclusion in spring 2008 that benefits to the dual system outweighed risks; the system was to be maintained with measures to eliminate duplications and build synergies between the ministries involved.

Switzerland is doing its best to combine the different parts of this system effectively and build an efficient, coherent aid programme. It is striving to develop complementarity and ensure consistency between the SDC and SECO aid programmes. The *2008 Bill for the South* clearly delineates responsibilities, including establishing a geographic division of labour between the two institutions. The bill also calls for strengthened co-ordination and exchange of information through existing mechanisms like the inter-departmental working groups. Regular dialogue takes place on areas of common responsibilities, such as engagement with the multilaterals. In 2008, however, the re-organisation of SDC at headquarters level hampered the dialogue on operations and themes to some extent. In the coming years, the new thematic networks being set up in SDC could be useful tools for sharing experience and building cohesion in the Swiss aid system. In partner countries, SDC and SECO together form the Swiss co-operation offices and work as an integrated entity within a common co-operation strategy, as recommended in the 2005 peer review. This allows for synergies, visible in the two countries visited as part of this peer review (Annexes D and E). However, more could be done to further streamline programming, funding, evaluation and reporting procedures. This point echoes a parliamentary motion in 2008 on improving the consistency of the reporting system.

Beyond SDC and SECO, there is a need to reinforce cohesion within FDFA. In particular, more work could be done jointly with FDFA's Political Division IV on Human Security. This division has 80 staff, including 10 in the field. Its mandate is defined in the *2007 Bill on Peace and Human Rights* (CH, 2007a). It provides several entry points for co-ordination with SDC at field level, whether on security issues, engagement in fragile states or humanitarian aid. Appropriate pressure from the top to improve co-ordination has intensified dialogue within FDFA. A Direction Committee, headed by the minister, meets twice a week and includes two members of SDC's management board. SDC's closer involvement in FDFA provides opportunities to bring a development perspective to foreign policy formulation, as well as to define and implement strategies jointly with PD IV. As regards whole-of-government approaches, the inter-departmental committee IKEZ, chaired by SDC, seems effective at the policy level, but Switzerland could consider strengthening co-ordination mechanisms at an operational level in fragile states (Chapter 5).

SDC and SECO institutional frameworks

SDC: undergoing major reform

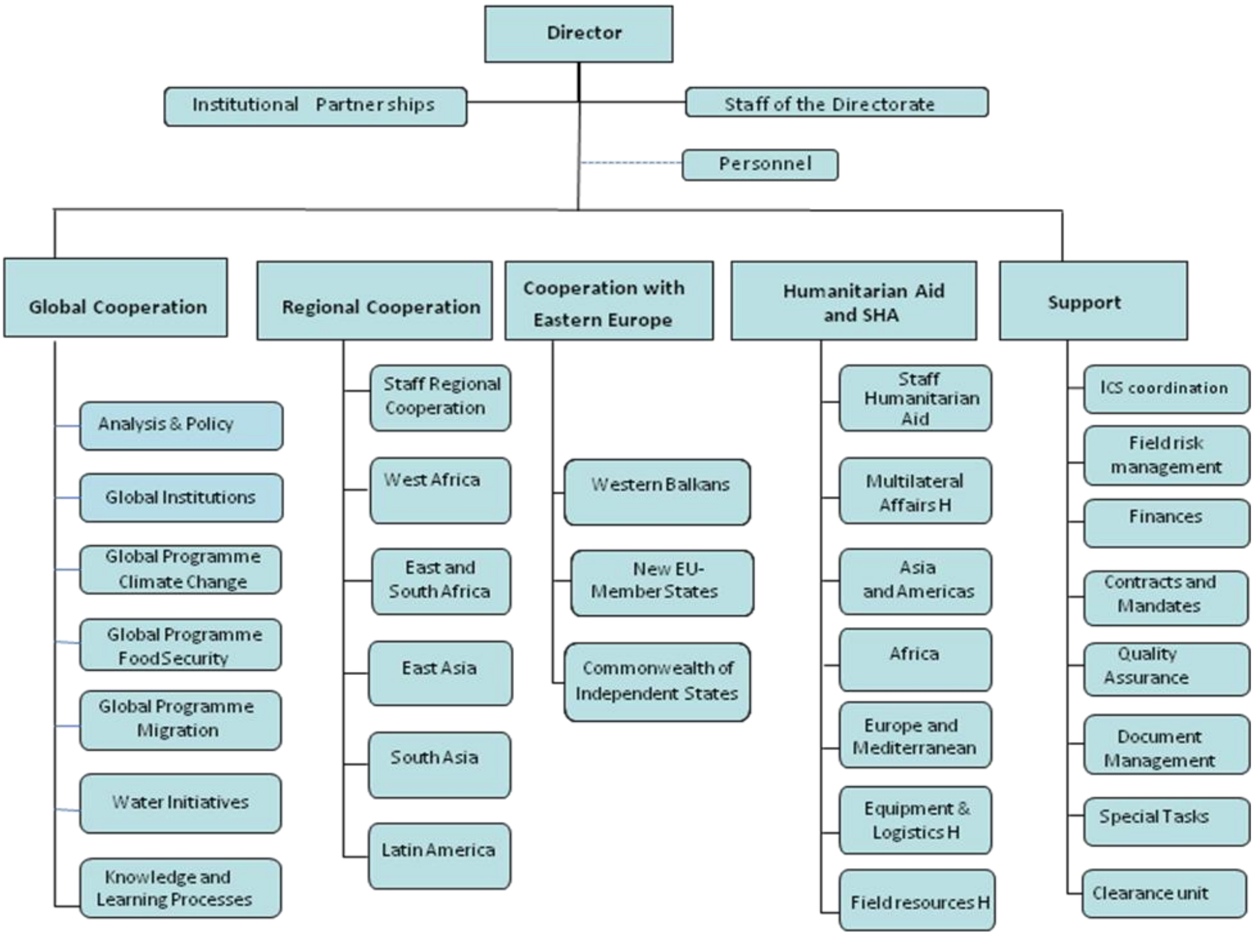
Since 2008, SDC has been going through an impressive organisational reform. The aim is to reposition the organisation in the new context of globalisation and to provide evidence of effectiveness with improved accountability. This reform is also a response to the Control Committee's call for increased strategic coherence and a stronger geographic and thematic focus (Chapter 3). Its four objectives are to: i) improve SDC's effectiveness; ii) re-design institutional structure and working methods; iii) intensify co-operation with other FDFA entities and the federal administration as a whole; and iv) strengthen the field presence. The reform process started in June 2008 in headquarters and was piloted by a small task force comprising SDC's Director General and three directors. Key decisions were made and implemented within five months. These included re-assigning 340 medium-level management staff and re-assigning 700 projects within the organisation. This internal reform took place in parallel with the re-organisation of the Swiss Foreign Department; a second phase will involve decentralisation.

The reform has divided SDC's activities into four operational areas (Figure 5). The first three existed before the reorganisation and reflect SDC's fragmented budget from three different credit frames: i) Bilateral development co-operation, covering both priority and special programmes, lies within the Regional Co-operation Department. It is subdivided geographically for liaising with field offices in partner countries. This area also covers SDC's relations with regional development banks and thematic multilateral institutions; ii) Humanitarian aid; and iii) Co-operation with Eastern Europe.

The new Global Co-operation Department contributes to the management of select global issues where Switzerland can add value at the policy level (climate change, migration, food security and water). This department also includes several other divisions: i) The Analysis and Policy Division, whose goal is to ensure that SDC's strategy finds political and public support in Switzerland and is in line with a coherent international effort; ii) the Global Programme Division, which aims to improve the multilateral aid architecture and the effectiveness of global institutions; and iii) the Knowledge and Learning Division, which will provide support to the thematic networks being set up.

In addition, a new department on Institutional Partnerships, which includes the former NGO Division, reports directly to the Director General. Finally, the Corporate Support Department provides administrative and financial support and includes a newly created quality assurance division (Figure 5). As part of this re-organisation, the previous department on thematic and technical resources has disappeared, and thematic focal points have been transferred to the geographical lines to allow for better linkages. Key support functions, including communication, audit and evaluation, translation and parts of personnel have been merged with FDFA services and General Secretariat.

Figure 5. SDC organisational chart



Source: Memorandum

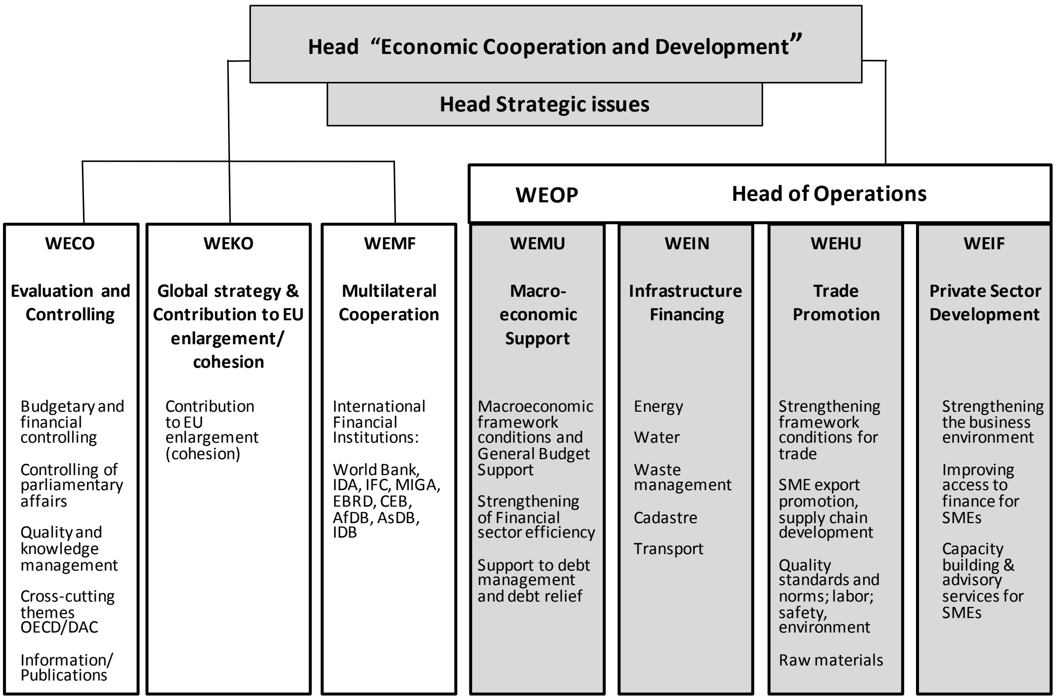
The fast pace of SDC's re-organisation at headquarters illustrates strong commitment from management to set up a more effective aid system. The reform is still in the early stages and its consequences are not yet clear. As is to be expected, the process has brought some temporary confusion about roles and responsibilities, and it will be important to quickly restore clarity for Swiss and international partners about their counterparts in SDC's new system. The new Department on Global Co-operation should allow for synergies with the bilateral country programmes and it plans to develop complementary approaches for working with multilateral organisations. It should avoid the risks of insufficient links with operations - a problem which the previous thematic department faced - and of diluting SDC's geographic focus through commitments in non-priority partner countries. As explained below, other challenges remain, including staff adaptation to the new set-up; maintaining adequate thematic expertise and resources; and systematising a results-based management approach. SDC will need to take these challenges into consideration when reviewing the impact of the re-organisation. In the meantime, SDC should develop a concept paper to provide guidance on its strategies and tools over the medium-term, renewing SDC's *2010 Strategy* which was developed in 2002.

SECO: a lean organisation with a thematic organisational framework

Within the State Secretariat for Economic Affairs (SECO), the Economic Co-operation and Development Division is in charge of managing the aid programme. It has currently 72 employees at headquarters (the equivalent of 66 full time positions), plus six staff in SDC offices or embassies, as well as eight representatives and one secondee to multilateral organisations. Its organisation chart reflects its mandate (Figure 6):

- Four operational divisions are dedicated to each of its sectors of activity: i) macro-economic support, which includes general budget support, public financial management and debt relief; ii) infrastructure financing; iii) trade promotion; and iv) private sector promotion.
- Three horizontal divisions covering: i) multilateral co-operation with international financial institutions; ii) enlargement contribution; and iii) evaluation and controlling.
- The head of operations is also deputy to the division head, to which the head of strategic issues is directly attached.

Figure 6. Organisational chart of the SECO's Economic Co-operation and Development Division



Source: SECO

Further decentralisation

Switzerland has 48 field offices (called either co-operation or programme offices), of which 24 report to SDC regional co-operation, 12 to Eastern Europe, and 12 to Humanitarian Aid. Co-operation offices in Eastern Europe and some in priority countries in the South are co-financed by SECO. SDC started decentralising its programme in 1994, with fresh impetus in 2000 to reinforce its pragmatic, field-oriented approach. Although Swiss offices have wide-reaching competencies in implementing the aid programme, decentralisation of financial authority to the field has been quite limited so far — the country director is only allowed to sign contracts up to CHF 50 000 in value. The 2005 peer review, however, recommended that Switzerland should ensure that all co-operation offices are granted the appropriate authority over financial and human resources to manage the Swiss programme effectively.

SDC is now starting to implement Phase 2 of its re-organisation, which aims to increase the effectiveness and efficiency of its work in partner countries. The process was prepared by an SDC working group created in October 2008, which presented its recommendations to the board in March 2009. The approach aims to bring decision-making closer to field operations and to strengthen results-based management systems. While the recommendations are still to be approved by the board, the plan is to put the new systems and procedures in place by early 2010, and to reinforce the capacity of co-operation offices over 2010 and 2011. In finalising the plan, SDC's management should consider the following three aspects: i) it should provide more flexibility in financial management, bringing decision making closer to field realities and enabling field offices to deliver aid effectively; ii) it should ensure adequate results-orientation, quality assurance and outcome monitoring; and iii) it should strike a better balance between the pragmatic, field-oriented Swiss approach and the need to provide standard guidance to country offices and the system as a whole, as well as the need to keep on top of its operations in the field. This is all the more important since the peer review visit to Nicaragua revealed the pros and cons of a high level of delegation to country offices combined with a lack of standard-setting by headquarters. For instance, this led the country office to develop its own project cycle management guide when it may have been more efficient to design and distribute such guidance from headquarters (Annex E). Other examples illustrate the need for robust guidance in a devolved system. For instance, the evaluation of *SDC's Performance in Mainstreaming Gender Equality* (SDC, 2009a) concluded that the organisation-wide systems for ensuring that gender is mainstreamed are weak; meanwhile a number of SDC country offices or divisions were developing their own learning and control systems. Finally, the Nicaragua case also suggests the need for strong political back-up from both headquarters and the embassy when handling sensitive political dialogue with partner government (Annex E).

A challenge will be to balance the need to delegate authority to the field with the need to provide sufficient guidance and backing to support co-operation offices and stay abreast of what happens at field level. For this, the Operations Manual should be redeveloped to become an integrated instrument covering all SDC's operational procedures (co-operation strategy, annual report, credit proposal, financial management); the Internal Control System should be re-designed; and relevant training courses should be developed and run.

SECO has not yet decentralised its programme, but is currently evaluating how it wants to proceed in this matter; headquarters takes all final decisions on programming and project approval. This creates discrepancies in the way programmes are managed in

Swiss country offices, creating an additional administrative burden, as was seen in Nicaragua (Annex E). SECO should consider ways to devolve authority to the field, including when engaging in new countries. It is taking steps in this direction with a reflection on decentralisation planned in the course of 2009. A useful reference document will be a study commissioned in 2007 of SECO's relationship with Swiss country offices. This study found that there is scope for greater delegation of responsibilities, and should therefore be a good basis for exploring ways to decentralise the programme. This is all the more important given that SECO will start managing offices on its own as a result of the planned division of co-operation offices between SDC and SECO (four staff members will be delegated to SECO's new priority countries). This will increase the risk of uneven practices in the field in coming years.

Strategic, results-based management

With higher spending constraints and louder calls for better value for money, assessing and reporting on performance is even more important than before. SDC and SECO are dedicating more attention to managing for development results and are facing the challenge of adapting their instruments and procedures to put this into practice.

Reinforcing the strategic budgetary and programming approach

The framework credits allow for global multi-year envelopes for the aid programme. The bills defining these credit frames specify geographic and thematic priorities for assistance, as well as the respective shares of bilateral and multilateral co-operation. In particular, the *2008 Bill for the South* specifies allocations for each of Switzerland's six priority areas of development co-operation and sets a spending target of CHF 20 million per year for each priority country (CH, 2008b). Within this framework, SDC, SECO or any other relevant institution can make three to four year financial commitments linked to programmes or projects. Payment allocations flowing from these framework credits are approved annually in the Confederation budget which is submitted to parliament in the autumn session and approved in December. These allocations are based on proposals prepared by SDC/SECO headquarters on the basis of the credit frameworks and annual plans presented by Swiss country offices.

At the field level, country strategies (or mid-term programmes in the case of special programmes) provide the framework for Swiss support in the medium term (four to six years). They define thematic and geographic priorities as well as an approximate mix of modalities. Country offices lead the preparation of the country strategy, which involves key stakeholders (government, other donors, CSOs). Headquarters approve country strategies and determine the volume of aid allocated per country. The co-operation strategy is then implemented through annual plans prepared by each country office and approved by headquarters. Based on the co-operation strategy and medium-term financial planning, yearly budgets are also determined at field level and approved by headquarters. These include multi-year commitments made in the framework of programmes/projects.

The 2008 bills for SDC and SECO provide opportunities to reinforce strategic, results-oriented budgetary allocation and programme management. Both SDC's Management Report and SECO's Strategy Assessment and Review include inputs and outputs against their mandate and cover strategic, country and programme levels. However, Switzerland could go further in developing a results-based approach by integrating operational and financial aspects at different levels. In reviewing their strategic controlling instruments, SDC and SECO should aim to have Switzerland's three strategic objectives and six priority areas cascading in business planning and delivery plans for each headquarters' department and field office, with attached objectives, indicators and targets. This would provide an efficient tool for guiding the aid programme, linking overall objectives with annual plans at headquarters and in the field.

Standardising corporate business processes for monitoring and reporting

Monitoring the strategy is the responsibility of the country office, with no binding guidance from headquarters. Although some instruments exist for the field to aggregate information and report on results, they are not used in a consistent manner at the country level.[16] There are examples in the field of locally developed monitoring systems used as a management tool. For instance, in Nicaragua the planning process for developing the 2007-12 co-operation strategy included developing a monitoring system for the strategy. In Albania, on the other hand, the 2006-09 strategy did not include a monitoring framework with expected results and targets. A monitoring framework was only developed in 2008 by the country office and follows a different, less outcome-oriented pattern, than the one developed in Nicaragua (Annexes D and E). A regional monitoring and evaluation framework is also being established for the Western Balkans.

In order to aggregate information on what happens at field level, Switzerland should set up a standardised system for monitoring, assessing and reporting results against targets and objectives. The peer review team therefore encourages SDC to develop guidelines for monitoring co-operation strategies and mid-term programmes, with minimal standards applying to all programmes, including annual reports on results achieved. The Quality Assurance Unit and Network should play a key role in developing such guidelines. It should work closely with SECO and look at ways to harmonise programming, funding and reporting procedures between SDC/Development, SDC/Humanitarian Aid and SECO. This would facilitate management of the programme at the country office level and make it easier for headquarters to aggregate information from the field and demonstrate the results of the aid programme.

Assessing the performance of the aid programme

The 2005 peer review recommended that Switzerland's evaluation culture "be scaled-up to give even greater focus on the poverty reduction impact of Swiss interventions. This implies greater efforts to link the monitoring and evaluation system to quality improvements in terms of the information and data needed to measure outcomes." Switzerland is making progress towards a strategic and results-oriented approach to evaluation, even though more work is needed to strengthen the use of evaluations as a forward-looking management tool (see below). Collaboration is occurring between SDC and SECO, as illustrated by the first thematic report on aid effectiveness covering both SDC and SECO's activities (SDC/SECO, 2008a). However, greater efforts could be made to develop a common approach to evaluation.

16 . While country offices can develop their own project cycle management (PCM) guide, as is the case in Nicaragua, SDC provides guidance on the PCM, including for monitoring and evaluation. For instance, mid-term evaluations and end-of-phase evaluations are mandatory for NGOs implementing projects for SDC.

In 2006, SDC decided to devote between 0.6% and 0.8% of its budget to evaluations and reviews in order to better demonstrate results and ensure accountability. It also decided to allocate a specific budget to joint evaluations with other partners as a way of enhancing engagement in these exercises. In December 2008, SDC updated its evaluation policy to emphasise the value it places on evaluation and provide a basis for minimum "quality assurance" evaluation standards in the context of managing for results (SDC, 2008a). It also defined lines of responsibility for evaluations. The policy clearly refers to the OECD/DAC evaluation standards and to the international humanitarian aid standards. SDC conducts about 100 evaluations each year (10% of its portfolio) and all major projects are evaluated at least once during their lifetime (CEVAL, 2008). SDC also organises between two and four independent external strategic evaluations a year. In addition, it annually conducts around 10 internal audits of country programmes, covering areas such as accounting, efficiency and compliance with regulations. External audits complete the picture. SDC's Core Learning Group in the Controlling Section comments on terms of reference and final reports and drafts a position paper after each evaluation. Evaluations are discussed in the Board of Directors and are concluded with a management response. Reports and management responses are published on the web and the OECD/DAC Evaluation Network database DeRec. The results are also incorporated into SDC/SECO's first Effectiveness Report. However, SDC could go further and set up a follow-up system for tracking the implementation of recommendations. This would improve evidence-based management. SDC could also make its bi-annual evaluation plan more strategic, including through in-depth evaluations of thematic aspects and impact analysis. This would be beneficial at a time when SDC and SECO are engaging more in these impact evaluations, including at the international level.[17] Rather than automatically requiring evaluations, SDC could first determine whether an evaluation is really necessary. Finally, with a new evaluation function being set up at the General Secretariat level of the ministry, it will be important to ensure complementarity and avoid duplication. It will also be crucial to strengthen the use of evaluation as a forward-looking management tool enabling SDC to use evaluations to improve priority setting and programming in the future, rather than seeing it as a tool for control.

SECO has recently reformed its evaluation function. Building on an external review of the quality of evaluation, it developed and adopted a new evaluation policy in 2008, complemented by evaluation guidelines. These are clearly aligned to DAC guidance and promote lessons learning and accountability as key objectives. They provide for a management response to each external and independent evaluation. Management responses to external evaluations are signed by the head of section, while management responses to independent evaluations are signed by the head of division. They also provide for transparency and wide dissemination through appropriate means (SECO website, database, workshops, annual report on evaluation). The independence of the evaluation function has been strengthened with the setting up in early 2009 of an advisory committee on evaluation, comprising five members from evaluation, university, parliament, civil society and the private sector. On average, two independent evaluations are conducted each year, in addition to external evaluations (around 20 per year) and internal reviews (on average 25 per year) within the framework of project cycle management. The independent evaluations will be published on DeRec.

17. Recent examples include SDC's performance in mainstreaming gender (SDC, 2009a) and, for SECO, the development impact of investing in small and medium enterprises (SEAF, 2007). Switzerland also led the peer review of the evaluation function of the Office of International Oversight Services of the United Nations, contributing to the process of evaluation strengthening in the UN General Secretariat.

Managing knowledge

SDC's reform aims to bring thematic areas closer to operations and to emphasise learning. Former thematic divisions have been replaced by focal points (staff members placed within units in the operational areas). While they are located where it seems most appropriate, their mandate is cross-institutional and so they need to reach beyond their units and divisions.[18] The reform has also piloted 19 new networks across SDC. Eleven networks are thematic (climate, energy and forests, conflict and human rights; decentralisation; disaster risk reduction; economic governance; education; employment and income; health; migration; rural development; and water); seven are normative (quality assurance; security; financial management, managing for development results, knowledge and learning processes, international finance institutions, and United Nations); and one is both thematic and normative (gender).

Focal points and thematic networks can be helpful to build coherent thematic approaches and share knowledge within the aid system. It will be interesting to see how they are implemented within SDC and how they will reach out to SECO and other relevant stakeholders, including at field level. SDC faces a challenge to retain the appropriate thematic and sector capacity able to develop effective networks. Focal points dispatched throughout the organisation may feel isolated. They have limited funding and thematic resources are diminishing.[19] SDC should provide appropriate incentives to maintain expert knowledge and ensure effective participation in networks. As an example, it should reflect staff contribution to thematic networks in individual performance frameworks. Building on expertise and resources of different components of the Swiss Government and beyond will be crucial in key areas like engagement in fragile situations, where Switzerland has gained a high profile over time. Allowing multi-stakeholder, worldwide consultations beyond the prevailing SDC intra-regional communication noted in Albania and Nicaragua, would also be an asset.

Skills and human resource capacity

The Swiss development co-operation system employs more than 1 800 people, most of whom are locally recruited in partner countries. Total numbers of Swiss staff in both SDC and SECO have slightly decreased since 2005. The number of Swiss staff decreased in SDC from 643 to 594, but increased in SECO from 60 to 72.[20] Switzerland has relatively low levels of Swiss nationals working in the field (22%) and relies extensively on locally-recruited staff (OECD, 2009b). In Nicaragua's country office, 28 staff out of 32 is recruited locally. Switzerland gives significant responsibilities to local staff. Five SDC locally-recruited staff works at the managerial level, 174 are programme officers and 85 work in administration, including a number of heads of finance. This compares to 122 Swiss nationals working in partner countries, 94 of whom are at director level, 19 at

18 . For instance, the climate, energy and forest focal point is placed within the Climate Change Unit in the Global Co-operation Department, while the conflict and human rights focal point is located in the South Asia Unit of the Regional Co-operation Department.

19 . The former Department of Thematic and Technical Resources comprised 60 staff, including 30 advisors. In 2009, annual budgets for each network were between CHF 100 000 and 200 000, covering network facilitation and management, meetings and thematic support.

20. In addition to these numbers, the Swiss Humanitarian Aid Unit (SHA) can rely on some 700 experts, made up of a voluntary militia corps.

the administrative level and only 9 are programme officers. To support this empowerment, SDC has developed a special training cycle for local programme officers and actively encourages local staff to participate in training and learning events. As was seen in Albania and Nicaragua, this extensive reliance on local staff contributes to the competent delivery of the programme, because they bring their knowledge of local contexts and ensure continuity in the programme. Another positive feature of Swiss human resources management is the four to five-year posting duration for Swiss staff in the field, which also allows for programme continuity.

Two remaining challenges include building, strengthening and retaining staff skills, and reinforcing the capacity of the local office along with the decentralisation process. To address these challenges, SDC is reviewing its staff plan to adjust it to the organisations new strategic orientations. With the number of projects decreasing and engagement in sector and budget support growing, new skills are required, such as financial management and ability to engage in policy dialogue. Similarly, in the last ten years, staff recruitment has concentrated on junior professionals with a generalist background. SDC recognises that as older staff leave, essential skills and resources are being lost, which are needed to sustain the work (*e.g.* networks). The recruitment programme is currently under review and should seek the right balance to ensure an appropriate skills mix. However, scope for action is limited since there will be a reduction in the number of posts in SDC in the coming years. Recruitment opportunities are therefore decreasing drastically (there was a recruitment stop in 2008). Thus SDC should also review its training approach. Each staff member has a right to up to two weeks of training per year. Apart from three compulsory training sessions,[21] staff can seek any training on a voluntary basis, with decisions decentralised to middle management level. While learning objectives have been included recently in annual performance assessment frameworks, there is no real follow-up. More guidance is needed to ensure that SDC is more strategic about the training opportunities offered to staff. Training and staff performance frameworks should be linked to SDC's overall objectives and aligned to the principles of the Accra Agenda. They should also be linked to appropriate incentives.

As part of its reorganisation, SDC plans to increase the number of staff in the field, in particular at middle management level. This points to the need for an overall policy for local staff, as conditions of employment vary for each country office. This is all the more relevant since the FDFA has recently developed a local staff policy as part of its human resources policy review. This review should also be an opportunity to harmonise conditions for Swiss staff working abroad, while maintaining the development perspective and expertise needed to deliver the aid programme. The peer review team welcomes the new code of conduct for all SDC employees and partners issued in 2008. It is based on the General Code of Conduct of the Federal Administration and calls for ethically-based decisions and appropriate behaviour both at work and during leisure. Its implementation is binding and will be monitored by management.

Institutional partnerships

The *2008 Bill for the South* emphasises co-operation with NGOs, research institutions and public and private partnerships for development as one of the six priority areas for the Swiss aid programme. To reflect this stronger emphasis, in 2008 SDC set up

21. (1) For middle management staff; (2) before leaving to a post in the field; and (3) on security.

a new division for institutional partnerships reporting directly to the Director General. The division will shape SDC's relations with Swiss institutional partners (NGOs, private sector, actors in development education and decentralised bodies) and promote institutional partnerships. This illustrates SDC's willingness to strengthen its engagement with a broader range of stakeholders. This is a welcome step and there is scope for Switzerland to develop a more strategic and innovative approach to these partners who, in total, channel around one-third of its bilateral aid. SECO also strengthens its strategic approach to partnerships. It develops projects with the private sector (on trade issues such as market access and supply chain management, but also with financial service providers), specific NGOs (fair trade, labeling and trade policies), international institutions such as ITC and UNIDO, as well as research institutes on public financial management issues.

Engaging further with Swiss institutional partners

Some 5% of bilateral funds are channelled through Swiss universities and research institutes. They provide technical advice and support in the field in a number of sectors (such as agriculture, environment, law), including through building international networks. As an example, Swiss research institutions have established a North-South partnership with organisations in Africa, Asia and Latin America to study the negative impacts of global change and develop sustainable solutions.[22] SDC contributes half of the partnership's funding. SDC also engages in a more structured dialogue with an emerging network of cantons active in development co-operation, guided by a position paper developed in 2006 (SDC, 2006d). The peer review team encourages Switzerland to continue to develop synergies with these actors, as they lead to more active and more frequent interaction.

In January 2009, SDC issued a framework for developing public-private partnerships for development (PPDP) (SDC, 2009b). These partnerships aim to reduce poverty and promote the development agenda. They have five guiding principles: a pro-poor focus, additionality, a positive impact on local markets, strengthening governance and a potential for scaling up and sustainability. They are not limited to Swiss private partners, but can be arranged with international entities and private entities at local levels. In 2007 SDC had 40 PPDPs, accounting for 0.5% of its bilateral aid. However, this may be under-estimated since country offices do not systematically report to headquarters on the partnerships set up at their level. SDC will therefore undertake a review of all PPDPs. SDC's institutional structure and funding mechanism for PPDPs seem complex: there are two entities in charge of promoting PPDPs: one unit within the Institutional Partnership Division; and the focal point of the Employment and Income network, located in the Latin America division. SDC should review and streamline this institutional set-up to make sure it promotes these partnerships efficiently.

The need for a strategic, standardised approach to NGOs

Between 21% and 23% of Swiss aid is channelled to and through NGOs, a much higher ratio than the DAC average of 7% (Table B.1). This makes NGOs the main partner of the Swiss aid programme. NGOs can get funds from SDC through two mechanisms:

22 The Research Partnerships for Mitigating Syndromes of Global Change, created by the National Centre of Competence in Research North-South.

i) mandates, obtained through tenders and through which Swiss or international NGOs are implementing partners of SDC's co-operation programme; ii) programme or project contributions, aiming to support Swiss NGOs' activities in selected areas: poverty reduction, civil society strengthening, humanitarian aid, global governance and development education. SDC co-finances up to 50% of involved costs, representing a total amount of CH 60 million in 2007 (SDC/SECO, 2008b). SDC has 24 strategic partnerships with Swiss NGOs (including two on humanitarian assistance). These four-year partnerships allow NGOs to receive multi-year programme contributions.

Switzerland values the role of Swiss NGOs in development and humanitarian aid, appreciating their ground-based approach and innovative capacity and recognising their influence in the political debate on aid policies. Its approach to NGOs is non-intrusive, pragmatic and individual. While this has a positive impact in terms of flexibility, the downside is that there are no clear, systematic criteria for engaging in strategic partnerships, nor clear links between financial allocations and performance. At field level, the peer review team also noted a lack of consistent guidance for country offices in their approach to NGOs. More needs to be done to develop synergies and stay abreast of NGOs' activities. The new NGO policy issued in 2007 does not provide precise, operational guidance (SDC, 2007b). It calls for a dialogue with NGOs going beyond consultation mechanisms on contributions and strategic partnerships, and covering three policy levels: global governance, international development co-operation, and policy coherence. However, the policy does not propose establishing a permanent mechanism which might be needed to sustain this dialogue.

Strengthening the strategic approach to NGOs and other partners will require: i) defining clear, transparent criteria for funding allocations and strategic partnerships; ii) further harmonising modalities within different components of the programme (in particular Eastern Europe and co-operation with the South); iii) further monitoring of the results and impact of NGO strategic partnerships and public-private development partnerships, at HQs and in the field; and iv) considering the potential for developing multi-country and multi-sector partnerships.

Future considerations

- While SDC and SECO are seen as a single entity in partner countries, these organisations should further streamline their programming, funding and reporting procedures.
- SDC should monitor the impact of its reorganisation and make sure it maintains appropriate thematic expertise, provides enough guidance and applies it throughout the organisation. The establishment of focal points and networks should be further studied to ensure that their objectives are clearly defined and that they are provided with enough weight and resources.
- Management of SDC and SECO should pursue a more systematic approach to managing for development results. It is encouraged to increase the use of evaluation as a forward-looking management tool in order to be able to use evaluations to improve priority setting and programming in the future.
- Switzerland should review the current recruitment profile and policy and develop further its strategic approach to training to ensure that the staff skills mix matches its new strategic orientation.

- Decentralisation should allow for more flexibility in financial management, while reinforcing human resource capacity in country offices, including through developing an overall policy for local staff. SECO should build on SDC's experience and consider ways to devolve authority to the field level, especially when engaging in new countries.
- Switzerland should develop a more strategic and standardised approach to NGOs and other partners at headquarters and field levels.

Chapter 5

Aid Effectiveness

Active engagement in promoting effectiveness

High level commitment

Switzerland is highly committed to implementing the aid effectiveness agenda of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. It sees enhancing aid effectiveness as an essential contribution to achieving the MDGs. This is especially important in the global economic crisis: resources must be used even more effectively and have even greater impacts (OECD, 2009c). Switzerland is constructively engaged in the international debate on aid effectiveness; it co-chaired the Accra Roundtable on ownership and co-ordinates the scoping exercise for the working party cluster on ownership/accountability.

The *2008 Bill for the South* makes explicit reference to the Paris Declaration. Accordingly, Switzerland is in the process of formulating a joint SDC/SECO policy statement on aid effectiveness and separate action plans for implementing the Accra agenda. Switzerland's approach to this agenda is contextual, country-based and inclusive. It plans to implement the aid effectiveness principles in a way that "is consistent with its values, principles and a need for visibility. SDC's contribution will be based on its experience and core competencies" (SDC, 2009c). While this reflects Switzerland's pragmatic approach, it also reflects the challenges it faces in implementing all commitments evenly. The Minister of Foreign Affairs and parliament are concerned about fiduciary risks linked to general budget support and are putting efficiency of the aid programme under greater scrutiny. In the field, practical implementation of some of the principles is seen as difficult in some instances. A strengthened communication strategy focused on results will be needed to secure political backing, as well as strong management support and clear guidance from headquarters to help ensure that all country offices move towards further alignment and harmonisation. Furthermore, Switzerland will need to explain further how its less visible individual activities will translate into higher collective visibility, while shifting from Switzerland's direct attribution of aid through stand-alone projects towards a focus on more indirect contribution to results in the new aid effectiveness context.

Steps towards aid effectiveness

In 2005, Switzerland developed an action plan containing six priority areas for implementing the Paris Declaration. At that time, it considered the most challenging areas to be implementing best practice (with related institutional changes and operational challenges), putting knowledge to use, using country systems and sharpening the geographic and sector focus (CH, 2005). In 2008 it took steps towards creating a stronger sector focus (the 2008 Bill) and improving knowledge management (SDC reform). In 2009, in developing SDC and SECO action plans for implementing the Accra agenda, Switzerland is emphasising the need for broad-based ownership and accountability, the use of country systems, predictability, multi-stakeholder approaches, capacity development and a focus on countries in fragile situations. These reflect both on-going challenges for Switzerland (use of country systems), as well as issues raised more prominently in Accra. Switzerland expects to issue the joint action plan by early 2010.

Switzerland has already taken preliminary steps to implement the Accra agenda (Box 6). In January 2009 SDC approved guidelines on the implementation of the Accra agenda (SDC, 2009c). These emphasise SDC's country-based, multi-stakeholder and capacity development principles. In terms of implementation, the guidelines call on country offices to integrate the aid effectiveness commitments into planning, monitoring and evaluation and to stand ready to assume co-ordination responsibilities in harmonised contexts. They also insist on each country office adapting an appropriate balance of instruments and approaches to the local context. Should SDC consider that the context does not allow the principles to be followed, it should openly explain why (as required in the AAA). Switzerland's pragmatic, field-oriented approach is positive, but it should not prevent headquarters from providing clear, precise guidance on implementing the Accra Agenda for Action. The action plan needs to have more specific objectives and targets. It should also address the incentive structure for aid effectiveness in the Swiss system. Equally, monitoring progress through aggregate figures remains a challenge in the Swiss decentralised system which should be addressed.

Box 6. Switzerland's steps for implementing the Accra Agenda for Action

In its submission to the OECD compendium on reviewing the implementation of the "beginning now" commitments of the Accra Agenda for Action (0ECD, 2009c), Switzerland highlights the following elements:

Developing plans for using country systems: This task is delegated to Swiss Country Offices, with the support of headquarters. Stocktaking and assessment of potential and obstacles are ongoing and will feed into the development of the Swiss AAA implementation plan.

Making public all conditions linked to disbursements: Any conditions linked to projects and programme support (including budget support) are transparently stipulated in the agreements between Switzerland and the partner country. Swiss country offices make any conditions public, in an appropriate way and subject to the partner government's agreement.

Providing full and timely information on annual commitments and actual disbursements: Switzerland – through its Country Offices – will be providing this information from 2009 onwards in a timely manner. Figures are tentative when and where parliamentary approval is pending in Switzerland. Switzerland is in the process of adapting its financial management and planning systems in headquarters so as to provide swifter and more accurate information. Switzerland also envisages joining the International Aid Transparency Initiative (IATI).

Providing regular and timely information on their rolling three to five year expenditure and/or implementation plans: Switzerland – through its country offices – will provide this information from 2009 onwards in a timely manner. Figures are tentative, especially when and where parliamentary approval is pending.

Source: OECD, 2009

As regards organisation, SDC and SECO have decentralised implementation of the aid effectiveness principles to the country office level. There is no dedicated unit at headquarters, but both organisations have a focal point on aid effectiveness. The focal point within SDC reports to the Head of Regional Co-operation. Implementation of the Paris Declaration should be partner country-driven, but it requires appropriate guiding tools for the aid system to adapt to this agenda. A review of programming, funding and reporting procedures is also necessary to ensure they are supporting implementation of the Paris principles. Headquarters may also need to make changes to staff skills mix or results orientations. Thus, making sure that the aid effectiveness principles are fully integrated requires strong leadership and dedicated resources. The peer review team encourages Switzerland to ensure appropriate capacity at headquarters while it is designing its action plan and when SDC is preparing the decentralisation phase of its reorganisation.

Aid effectiveness in fragile states

In recent years, the aid community has focused its attention on the specific ways of delivering aid in fragile contexts. Switzerland has gained a high profile in the international community on this key topic, as illustrated by its co-chairing of the International Network on Conflict and Fragility (INCAF). It sustains international thinking on the principles of good international engagement in fragile states and situations, for instance by contributing lessons from its experience in South Asia to the Accra high level forum (SDC, 2008b) and co-chairing (with Norway) evaluation guidelines on the impact of peace building activities and conflict prevention. It also actively promotes whole-of-government engagement. Together with the United Kingdom, in March 2007 Switzerland launched a whole-of-government seminar on security sector reform. More recently, in March 2009, it hosted the “3C” conference, which brought together some 250 decision-makers in a wide range of domains (foreign affairs, security, development co-operation, finance, trade and justice) from 40 countries. Using lessons learned in Afghanistan, Haiti, Liberia and Sudan, participants discussed coherent, co-ordinated and complementary ways to achieve security and development in fragile situations.

At the national level, Switzerland makes good use of OECD guidance on engaging in fragile contexts (*e.g.* applying the OECD handbook on Security Sector Reform in Nepal) and has developed appropriate tools. In particular, in 2005 SDC issued a conflict-sensitive programme management manual to enable staff to analyse context in countries in a fragile situation (SDC, 2005b). It was followed in 2006 by a toolkit on the psycho-social approach in conflict transformation, which aimed to integrate psycho-social methods into the programme (SDC, 2006e). In order to strengthen its whole-of-government approach, in 2005 Switzerland developed a strategy on security sector reform, which covers the police, SDC/humanitarian aid, SDC/special programmes and Political Division IV. In Sudan, Sri Lanka and Nepal, the whole-of-government approach translates into joint strategies involving SDC, Political Division IV in the MFA and Defence. However, having separate bills (with one specific bill on human rights and peace) does not help co-ordination; stronger links with Political Division IV would enhance co-ordination during implementation. Maintaining SDC’s capacity on fragile state issues will be crucial for it to build and sustain a substantive platform of knowledge and capacity-building involving Swiss stakeholders, and to pursue its contribution to international thinking in this area.

Progress and challenges at country level

The OECD 2006 and 2008 surveys on monitoring the Paris declaration give a mixed picture of Switzerland's action against the indicators (Table 5; OECD, 2008b). Switzerland performs well in a number of areas, such as strengthening capacity in a co-ordinated way, untying aid (see below), engaging in joint country analytical work and supporting democratic accountability and ownership. It is making progress on aid predictability and the use of common arrangements. However, Switzerland faces challenges in other areas: it still has too many parallel implementation units, use of country systems is limited and the number of joint missions is decreasing. Switzerland, like some other donors, expects that it will be more difficult to meet some Paris Declaration targets as it engages further in fragile states.

Ownership and alignment

Switzerland sees effective country ownership as deriving from political commitment and country capacity to formulate and implement credible development policies. It takes an inclusive approach to ownership, involving civil society and other stakeholders. It considers ownership at all levels and fosters this through the inclusion of governance as a cross-cutting theme in all programmes, whether at national, regional and local levels. In Switzerland's view, country ownership also requires from donors a long-term commitment to capacity development (Chapter 6).

Table 5. Monitoring Switzerland's progress against the Paris Declaration indicators

Indicator	**2005** (21 countries)	**2007** (21 countries)	**2007** (29 countries)	**2010 target**	**Comment**
3. Aid flows are aligned with national priorities	43%	43%	39%	85%	Off track: no progress
4. Strengthen capacity by co-ordinated support	20%	50%	39%	50%	On track: target almost achieved
5a. Use of country public financial management systems	47%	43%	36%	(80%)	Moving in the wrong direction, yet above the DAC average
5b. Use of country procurement systems	52%	51%	43%	(80%)	No progress
6. Avoid parallel implementation units	56	59	87	19	Off track - moving in the wrong direction
7. Aid is more predictable	42%	46%	38%	71%	Off track, but right direction
9. Use of common arrangements or procedures	27%	38%	32%	66%	Off track, but right direction
10a. Joint missions	34%	23%	18%	40%	Off track - moving in wrong direction
10b. Joint country analytic work	60%	72%	68%	66%	Target achieved

Note: The *2006 Monitoring Survey* for Switzerland is based on 2005 data from 21 countries (out of a total of 33 countries surveyed) and reflects 45% of Swiss country programmed aid in 2005. The *2008 Monitoring Survey* for Switzerland is based on 2007 data from 29 countries (out of a total of 55 countries surveyed) and reflects 54% of country programmed aid in 2006. The third column measures progress for the 21 countries which took part in both the 2006 baseline survey and the 2008 survey. Indicator 8 on aid untying is not reflected here since reporting on tying status was incomplete at the time of the survey and figures have been corrected since then.

Source: OECD (2008b), *Survey on Monitoring the Paris Declaration – Making Aid more Effective by 2010*, OECD, Paris

All Swiss country strategies and programmes are required to be aligned with national priorities. Country offices lead the process of preparing the country strategy and are asked to involve a wide range of stakeholders (government, other donors, CSOs). This was the case in the two countries visited by the peer review team (Nicaragua and Albania, see Annexes D and E), where Switzerland also demonstrated a good understanding and thorough knowledge of local contexts.

Switzerland was also seen as a predictable donor in both Nicaragua and Albania. However, even though the credit frameworks approved by parliament cover a four to five-year term, each country strategy includes only an indicative funding envelope without binding commitments. Each programme/project within the country strategy is subject to a credit approval process, which leads to contractual commitments covering three to four years. Each programme or project is then signed individually by partner governments and by Switzerland. These credit approvals are the key instruments for financial planning. Medium-term financial predictability exists therefore at the level of the programmes, rather than at the country strategy level. The peer review team welcomes Switzerland's decision to provide, from 2009 onwards through its co-operation offices, regular and timely information on their rolling three to five year expenditure and/or implementation plans. However, figures will be tentative when parliamentary approval is pending. As regards annual predictability, Switzerland also requires, in line with the Accra High Level Forum, Swiss co-operation offices to provide annual commitments and annual disbursements from 2009 onwards in a timely manner. Switzerland may want to reconsider its credit approval procedure in light of the Accra Agenda for Action. For example, requiring sign-off by both partners for each project rather than for the overall strategy is costly in administrative terms, especially given the high number of Swiss projects. It should also consider whether this approach sustains the dialogue with the partner government and various stakeholders or whether it limits it by keeping it at a technical level.

As regards use of country systems to implement the aid programme, each Swiss country office determines its own mix of aid modalities depending on the context. Headquarters only give general guidance on increasing programme approaches without any specific targets, either at a local or global level. Switzerland has good experience of engaging in sector-wide approaches in eight countries (*e.g.* in the health sector in Tanzania) and of general budget support in six countries. However, like other donors, Switzerland finds it difficult to take more programme-based or sector wide approaches in certain contexts, and thus the stand-alone project approach remains predominant. Only a tiny share of Switzerland's aid goes through general and sector budget support (3.8% of its bilateral aid in 2006 and 3.4% in 2007). SECO provides on average CHF 40 million each year through general budget support, representing 2.5% of Swiss bilateral ODA, and SDC provides around CHF 20 million per year through sector-wide approaches (1.1%). In the meantime, Switzerland runs some 700 projects. This entails a high number of parallel implementation units (87 in 29 countries according to the OECD, 2008b). Switzerland uses these projects to engage with a wide variety of stakeholders and to link interventions at micro, meso and macro levels. Projects also facilitate pilot initiatives and innovations.

The project approach fits well with Switzerland's ground-based, multi-stakeholder approach as well as its vision of inclusive ownership. It is relevant and effective in a number of cases where it has a "niche" position with specific added value. However, more efficient management requires the number of projects to be reduced, especially the share of small projects, and a greater shift towards programme approaches. Switzerland should also make better use of country systems as a way to build national capacity. SDC and SECO are aware of this and do plan to use more country systems, including in non-traditional areas like the private sector and trade. Starting from 2009, where applicable, country offices will have to explain why they don't rely on country systems. Making greater use of country systems will require strong management support, backed with adequate incentives and a roadmap involving clear targets and timeframes. In partner countries, it will require joint analysis with other donors to explore ways to build and consequently work through government systems. In this process, Switzerland should build on its experience in countries like Nicaragua, where it has provided general budget support in a difficult context (Annex E). Switzerland will also need to ensure that a full range of aid modalities, including various forms of budget support, is available to all country programmes, including in non-SECO priority programmes (Box 7). Under certain circumstances, it might be useful to provide general budget support in LDCs. Clear objectives backed with indicators and targets should be set to this end, and a monitoring framework aggregating data from the field put in place.

Box 7. Switzerland and General Budget Support

SECO is responsible for Switzerland's general budget support to developing and transition countries with low income. It has been involved in general budget support since the mid 1990s starting in Mozambique. In 2005, SECO has developed a strategy for General Budget Support (SECO, 2005). It identifies three prerequisites for engaging in budget support: i) a commitment to poverty reduction and to improving the management of public finance; ii) the fostering of stable macroeconomic and institutional conditions for growth and for the development of the private sector; and iii) a commitment for improving access to public infrastructure and public service. The strategy includes six principles for implementing budget support: i) set a time horizon; ii) participate in policy dialogue; iii) collaborate with multilateral financial institutions and bilateral donors; iv) contribute in the negotiation of the performance assessment framework and disburse through several tranches depending on results and according to symmetrical, reciprocal accountability; v) monitor the reform process and its results; and vi) provide technical assistance to improve the public sector.

SECO has been the agency responsible for implementing GBS and has the appropriate expertise to do so. As SECO will withdraw from LDCs as part of its new division of labour with SDC, the challenge will be to ensure continuity in the GBS provided and to maintain Switzerland's capacity to use this modality in LDCs. Switzerland will therefore need to consider modalities to keep this instrument available regardless of which institution manages the programme.

Switzerland is commended for its progress towards untying aid. In 2007 only 2.2% of Switzerland's bilateral ODA remained tied (CHF 27 million); and aid to HIPC and LDCs was fully untied. Its reporting on tying status, too, reached 100% in 2007. This is significant progress, as Switzerland previously had "above average shares of aid where tying status is not reported" (OECD, 2009d). SECO's bill (CH, 2008c) no longer provides for tied aid through mixed credits for infrastructure projects, and SECO aid is now almost fully untied. The *Humanitarian Strategy 2010* (SDC, 2007c) determines that 10% of Switzerland's humanitarian aid is food aid, and of that share 60% shall be tied to Swiss dairy products. Despite negotiations since the 1990s between the government and the Swiss farmers' association, the government has not managed to remove this portion of tied aid, which is mainly delivered to Cuba and North Korea in the form of milk powder. On the other hand, the World Food Programme appreciates Swiss dairy products as they meet a need and are delivered in a predictable way. In addition, Switzerland has developed guidelines on the standards governing the use of dairy products as food aid.

These are in line with the World Health Organization standards and other relevant international guidance (SDC, 2006f).

Harmonisation

In the two partner countries visited by the peer review team, Switzerland constructively contributes to harmonisation, acting as a lead donor in several sector working groups, including the general budget support group in Nicaragua (Annexes D and E). Its commitment to and constructive role in donor harmonisation is recognised by its partners. Switzerland is regarded as a good mediator, benefiting from its neutrality, but also from its analytical approach, professional competencies, and open dialogue. It tries to find effective ways to engage with European Union members in partner countries, despite not being an EU member itself. In 2006, Switzerland chaired or co-chaired over 30 initiatives for donor co-ordination in 19 countries (OECD, 2008c). In terms of division of labour, in addition to reducing its number of priority countries, Switzerland will limit its involvement to three sectors per priority country (and only two in special programmes). In these sectors, it strives to develop synergies with other donors. However, findings from the field visit suggest that Switzerland selects its areas of intervention in a manner that complements existing efforts, but that focusing on fewer sectors remains a challenge in a number of countries (Box 8). The peer review team encourages Switzerland to pursue its efforts and to ensure a sustainable handover of the sectors from which it is withdrawing.

Box 8. Strengthening sector focus in Albania and Nicaragua

In Albania, Switzerland reduced its focus topics from four (for 2001-2004) to three (for 2007-2010). Based on thorough reviews and external evaluations, it has decided to cut further the number of themes in its country strategy for 2010-2013. For instance, it will phase out its agricultural projects in 2011 because of their small impact. This stronger focus does not necessarily mean a reduction in the number of projects. For instance, Switzerland considers sharpening the focus under the "basic social services" sector by shifting its nurse training programme in the health sector to the sub-domain "economy and employment".

In Nicaragua, the number of themes in the 2007-12 strategy has been reduced from five to three, and subthemes from fifteen to eight compared to the previous strategy. Although this is in line with Swiss policy, each theme retains a number of components which may restrict the concentration on fewer activities. For better impact, efforts need to be more strategic to avoid dispersion of resources, and the number of sectors should be reduced to match Switzerland's comparative advantage.

Although there are examples of Switzerland participating in basket funds and joint monitoring exercises, Switzerland could be more involved in joint approaches. Delegated co-operation does exist in the form of Switzerland implementing projects on behalf of other donors, like in the Balkans. But the reverse case is not frequent — there is only one pilot project beginning of silent partnership with Germany in Tanzania. However, it is encouraging that Switzerland is considering further use of co-ordinated approaches, including trilateral co-operation with Brazil, India and new European Union members, like Romania. SDC has developed criteria for developing tripartite projects, which illustrates its willingness to engage more in this direction. SECO is also engaging further in multi-bi approaches and co-financing with other donors in global or regional facilities in the financial and trade sectors.

Managing for results and mutual accountability

Switzerland now places a stronger emphasis on managing for development results (Chapter 4). This is welcome, since at field level much depends on each co-operation office's willingness and ability to develop results and monitoring frameworks with clear indicators and targets attached to the co-operation strategy. Monitoring and evaluation frameworks are integrated in the project cycle management, but do not systematically cascade from a country strategy framework. There is a need for standard, simple frameworks for results attached to steering instruments and stronger emphasis on end-of-phase reporting.

As regards mutual accountability, Switzerland promotes donor performance monitoring of aid predictability and reporting in the context of general budget support. It also provides support to the African peer review mechanisms. Its approach to accountability goes beyond government to include civil society and other domestic stakeholders. In this regard, in several countries, it could build on its recognised mediator role to bring issues of accountability into policy discussions. For instance, in Nicaragua where the government tends to limit the ownership dimension of the Paris and Accra agendas to government ownership, Switzerland and other donors should advocate an approach that brings in the views of non-state actors, in line with the Accra Agenda for Action (Annex E).

In 2008, Switzerland issued its first aid effectiveness report. It focused on impact in the water sector as a way to demonstrate accountability and show results to parliament and the public (SDC/SECO, 2008a). This report was a positive effort to communicate aid effectiveness in a language understandable outside the aid community. Switzerland should now consider focusing on communicating its development effectiveness, rather than aid effectiveness, as a way to demonstrate results and impact. This is important because ensuring Swiss visibility while engaging in new aid modalities, especially silent partnerships, remains a challenge. What Switzerland needs is to communicate its contribution to results based on examples of good practice, rather than attributing outputs to specific Swiss programmes. The peer review team encourages Switzerland to build on this first report on aid efficiency in pursuing these efforts.

Future considerations

- Switzerland is encouraged to develop and implement consistent Accra agenda action plans for SDC and SECO to mainstream appropriate procedures and incentives within the system. This will require strong leadership from management and adequate resources. Clear guidance should be provided to country offices, especially on the need to increase the use of country systems, in line with the Accra Agenda.
- Switzerland will need to maintain a variety of instruments and modalities, including budget support, to move further towards programme approaches regardless of which institution manages the programme. This will enable it to find the right mix in each context according to locally-defined needs, Swiss added value and joint working arrangements. Switzerland should share its experience in general budget support with stakeholders in the Swiss system and in the international arena.
- Switzerland should develop a roadmap with indicators and targets linked to the Paris and Accra commitments and produce related aggregate figures to monitor Swiss efforts to implement the Accra Agenda for Action.
- Switzerland should increase co-ordination across government on engagement in fragile states and ensure that sufficient capacity is maintained in this area.

Chapter 6

Special Issues

Capacity development

In 2006 the DAC recognised that adequate capacity remains one of the critical missing factors in current efforts to meet the Millennium Development Goals (OECD, 2006a). The 2008 Accra Agenda for Action asserted that "successful development depends to a large extent on a government's capacity to implement its policies and manage public resources through its own institutions and systems."[23] DAC peer reviews seek to understand the extent to which the donor is organised to strengthen the capacity of partner country systems, processes and organisations. Capacity is understood as "the ability of individuals and organisations to manage their affairs successfully" (OECD, 2006a). It should be pursued at three levels: individual, organisational and within the enabling environment.

Strategic orientation: "help for self-help"

Switzerland regards capacity development as a critical component for achieving its co-operation objectives. Its development co-operation law states that "development co-operation seeks to […] enable [developing] countries to play an active role in their own development." (CH, 1976, Art 5). The *Bill for the South* (CH, 2008b) reiterates that Switzerland's goal for poverty reduction is to "enhance the capacity of people, organisations and societies, through efficient and sustainable use of resources, to improve their living conditions through their own means." The concept of "help for self-help" can be found in several of SDC's policy papers.

In 2006, SDC published a working paper on capacity development (SDC, 2006c). It is a well-considered, clear document which describes the components, requirements and challenges of capacity development, as well as prerequisites for implementation. The paper bases capacity development on the principles of partnership and knowledge development and reflects the DAC's understanding of capacity development (OECD, 2006a). However, it fails to provide any operational guidance, formulate any specific goals, or include thinking on measuring and monitoring. Nor does it make explicit SDC's approach to capacity development in fragile situations. Switzerland should build on the lessons of other donors in providing operational guidance.

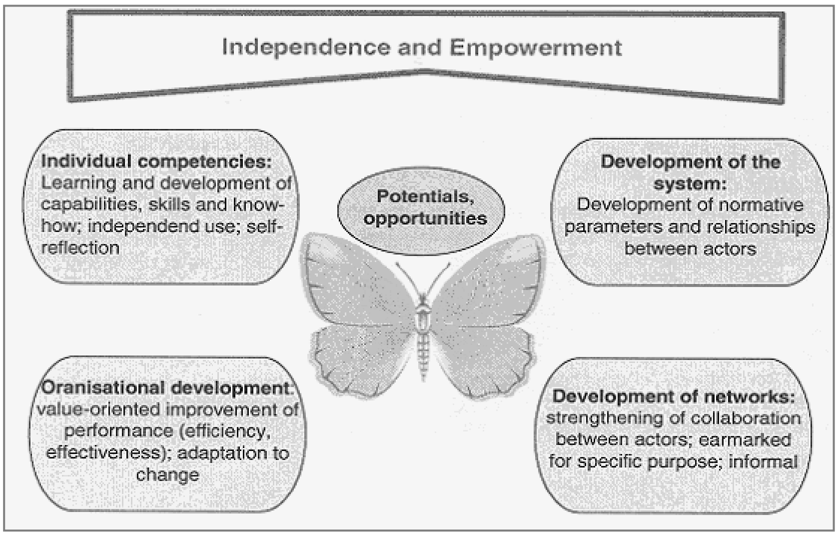
23 Accra Agenda for Action, 3rd High Level Forum on Aid Effectiveness (September 2008), paragraph 15.

Definition and concept

In defining capacity development, the SDC working paper makes an important distinction between hard and soft capacities (SDC, 2006c). Building "hard" capacities such as technical or specialised knowledge (for instance on finance, infrastructure or technology) requires a different approach from building the "soft" capacities like social and communication skills (leadership, structures) that are crucial for structuring processes of change. Furthermore, SDC distinguishes four dimensions of capacity development: individual competencies, organisational development, development of networks, and institution (*i.e.* it adds networks to the traditional DAC model). It uses the metaphor of a butterfly (Figure 7): "Capacity development [can be described as an image of a butterfly] in which the four wings correspond to the dimensions of the individual, the network, the organisation and the system. The butterfly orients itself after potentials and opportunities, and [can only fly] when it moves its wings in a co-ordinated way. With one wing alone, it cannot move forward." (SDC, 2006c, p.2)

Figure 7. Switzerland's capacity development butterfly

A model with four dimensions



Source: SDC (2006c), *Working Paper: Capacity Development in SDC,* Bern, April 2006

Practical approach

From the operational point of view, capacity development is understood as "SDC core business" and one of its working principles. SECO also sees capacity development as a key component of its co-operation, notably in the area of trade and macroeconomic support, albeit without conceptual guidance. Some country programmes take a context-specific approach to capacity development — such as Nepal, Bangladesh, and Peru. However, there is no consistent effort to make capacity development an objective of all programmes. Also, neither SDC, SECO, nor the Political Affairs Division IV have any corporate operational guidance on capacity development. Such operational guidance should reflect a joint vision of SDC, SECO and the Political Division IV, and reflect on approaches suited for LDCs, MICs, and fragile situations, respectively. Practical guidance could support field offices in designing, managing and reviewing targeted capacity development projects or programmes, and in integrating capacity development within other projects and programmes. It should contain practical guidance for measuring progress in capacity development. Indicators that measure small steps, and are both process and outcome oriented may be most useful. In addition, to truly commit the agencies to this objective, building the sustainable capacity of partners should become a staff objective and be included in consultants' TORs.

Support for the development of "hard" skills

Capacity development efforts are difficult to measure; thus, technical co-operation is often used as a proxy, as it measures the transfer of technical and managerial skills or technology. However, Switzerland takes a slightly different view. Its technical co-operation, as defined by the DAC, has increased by one-third since the last peer review, but at 10% of gross bilateral aid, remains slightly below the DAC average (13%).[24] This is partly due to the fact that SDC considers that "capacity development should no longer be regarded as the provision of inputs, for example through technical assistance or once-off transfers of technology",[25] a view that is in line with the Bonn Consensus on Capacity Development. Nevertheless, Switzerland performs well on the technical co-operation it does deliver: it is ahead of other donors in terms of co-ordinating its technical co-operation with national development plans, and has made further significant progress in this area (OECD, 2008b). For example, in the 33 countries surveyed in 2005 and 2007, the share of Swiss co-ordinated technical assistance rose from 20% to 50%. Also, Switzerland uses partner countries' public financial management (PFM) systems more consistently than DAC donors on average, often in combination with technical assistance (Box 9). Still, Switzerland needs to make additional efforts to meet its target of 80% by 2010 (see Table 5).

Another way of supporting hard skills is the use of local expertise, a common feature of Swiss development co-operation. Technical assistance is mostly executed by non-Swiss experts. Switzerland's great reliance on locally-employed staff (Chapter 4) enhances the local capacity development effort. Its intention that technical assistance should build on assessments of partners' needs and on local strategies lead to consistent practice in the field offices visited for this review. Increasingly, locally hired managers are in charge of Switzerland's programmes, as in the Vocational Education and Training (VET) programme in Albania.

24 Switzerland uses the term "technical co-operation" more broadly than the DAC to include any development co-operation projects associated with financial aid. The figures here use DAC methodology.

25 . SDC, Issues paper for Roundtable 1 "Whose ownership? Whose leadership"?, 21 August 2008.

Box 9. Capacity development in public finance management for financial authorities: the example of budget support, and the restitution of stolen assets

Effective public finance management is crucial to countries making progress in reducing poverty. In line with good practice (OECD, 2006b) Switzerland links a capacity building component with its budget support (see Box 7). Its programme in Nicaragua is a case in point. It enhances the impact of general budget support through a programme that strengthens the link between budget allocations and national strategic objectives. Developing the capacity of the Ministry of Finance to manage public funds and public expenditure – by introducing medium-term expenditure frameworks (MTEF) - is at the heart of this programme, designed by the Ministry of Finance and based on an assessment of needs. SECO provides technical assistance to the ministry as part of the programme. In practice, the ministry can draw on (mostly non-Swiss, non-resident) consultants paid by Switzerland when needed. Those can provide training on budgeting and planning, as well as targeted technical support. This programme began in Nicaragua in 2005 with three institutions. Progressively other line ministries began adopting a MTEF approach to budgeting as well. By March 2009, 33 out of 58 institutions in Nicaragua were preparing medium-term expenditure frameworks. The Nicaraguan Government considers this as one of its most important accomplishments.

Capacity development for financial authorities also plays an important role for Switzerland's efforts in the recovery and restitution of stolen assets. Asset recovery hinges on co-operation between Switzerland and the financial and legal authorities of the country of origin. This requires a partner institution in the country of origin that has the capacity (and willingness) to respond, investigate, and channel the restituted funds in a manner that benefits the overall population. Yet such institutional capacity is often weak. To counter this difficulty SDC supports capacity building through core contributions to the International Centre for Asset Recovery (ICAR) based in Basel, which offers specialised training to law enforcement authorities and other relevant actors in asset tracing, mutual legal assistance (MLA) and asset recovery. SDC currently integrates such efforts in seven of its country programmes. For instance, in Bangladesh Switzerland provides technical training to authorities within its "governance" pillar.

Supporting "soft" skills through a respectful approach

Reciprocal trust between donor and partner are crucial for building capacity, as Switzerland's concept states. Capacity development is to a large extent a matter of *how* development co-operation is understood and practised. In Albania, Switzerland's approach to building capacity is described positively by partners as respectful (not patronising), unobtrusive and patient, yet firmly oriented toward outcomes. The government specifically appreciated Switzerland's support in the long drafting processes for strategies, and emphasised that Switzerland's way of conducting effective meetings has influenced how the Ministry of Health now holds its meetings.

A focus on institutional capacity building

Organisations and networks are the focus of most of Switzerland's capacity development efforts. This can be observed across the board in its development co-operation approach (Box 10). Good results have been achieved by SDC's Humanitarian Affairs Division in disaster risk reduction, which helped to build local structures for disaster response in both China and Turkey in recent years. China's newly established Urban Search and Rescue Programme (USAR) proved its ability to respond during the 2008 earthquake in China's Sichuan Province. In Albania, Swiss co-operation supported the Ministry of Health in establishing a country-wide licensing system for health care workers. Strengthening local civil society structures is another important element of SDC's policy (SDC, 2007b). The peer review team encourages SDC to reinforce these efforts to foster the capacity of local NGOs. SECO has built up a good record in working with institutions for quality assurance and licensing in its programmes to foster trade with developing countries (see below). In all these cases, the recipe for success was the conscious engagement at all levels: individual, organisational, and institutional.

Box 10. Select examples of good practice on AAA capacity development themes

Switzerland provides good evidence, both in terms of policy and practice, on a number of themes for capacity development highlighted in the Accra Agenda. In particular, Switzerland:

- **Enables local civil society and the private sector to play their development role.** Recognising that development of emerging economies is based mainly on the private sector, it is one of SECO's principles to foster the role of the private sector by providing financial resources and technical expertise (CH, 2008b).
- **Ensures integration of capacity development priorities in national, sector and thematic strategies:** Switzerland participates in multi-stakeholder mechanisms to address capacity issues. In Albania, it supports the Integrated Planning System, a multi-donor trust fund that finances capacity development of government. It facilitates the establishment of structures and processes necessary to implement Albania's national development and integration strategy (Annex D).
- **Addresses systemic impediments to local capacity development.** A challenge many donors struggle with is the high turnover of staff at partner government ministries, often politically motivated, and the resulting frequent change of counterparts. Good practice has been developed to cope with this difficulty in Albania, where donors and the government agreed that all technical-level functions in ministries should have terms of reference and recruitment should be performance-based. Swiss co-operation in Albania emphasises continuous public information on programmes (each programme has a website) to allow new staff to inform themselves quickly. Finally, it balances its support to the government with support to NGOs to avoid overdependence on the administration.

Institutional set-up and staff resources

SDC has a dedicated new unit for facilitating and supporting capacity development, located within the Knowledge and Learning Processes Section. If capacity development is to become the cross-cutting issue SDC plans it to be, the proactive engagement of this unit in all the thematic networks is crucial. Also, given that SECO has no dedicated capacity to this topic, it should try to compensate by actively participating in the networks and in particular keeping an eye out for capacity development issues. Switzerland also participates in international networks on capacity development. For instance, it is a member of Train4Dev, a network of donors that promotes better co-operation in competence development and training. It is encouraged to increase its participation in international fora, so as to benefit from their reflection on best practice.

Environment and Climate Change

Environmental sustainability has been a key concern in Swiss development co-operation since the early 1990s. With the new focus on climate change since 2008, the operational details of which are currently being formulated, SDC and SECO are re-positioning themselves to meet new political priorities.

A legal framework based on sustainability, and a strategic shift towards climate change

Switzerland's commitment to the environment is rooted in the principle of sustainability and enshrined at the highest political level. In 1999, a new article on sustainability was included in the Swiss Federal Constitution: "The Confederation and the Cantons shall endeavour to achieve a balanced and sustainable relationship between nature and its capacity to renew itself and the demands placed on it by the population" (Art.73; CH, 1999). Switzerland's development co-operation embodies this principle. The *Foreign Development Report* requires development co-operation to be in line with Switzerland's environmental interests (FDFA, 2007). In 2008, Switzerland's parliament chose climate change as a specific focus for Swiss development co-operation. It determined that climate change should become a global issue of priority for SDC (CH, 2008b) and – in addition to specific programmatic and sectoral approaches - a cross-cutting issue for SECO (CH, 2008c). On the multilateral side, Switzerland has since 1998 created dedicated bills with attached multi-year framework credits to finance multilateral activities on both environment and climate change in developing countries. The most recent such bill, entitled *Framework Agreement for Global Environment for 2007-2010* (CH, 2006d) determines Switzerland's contribution to replenishing the financing mechanisms of the major international conventions on environment and climate change, and is almost entirely attributable to ODA. Its implementation is the responsibility of the Federal Office for the Environment (FOEN).

SDC and SECO's operational approaches

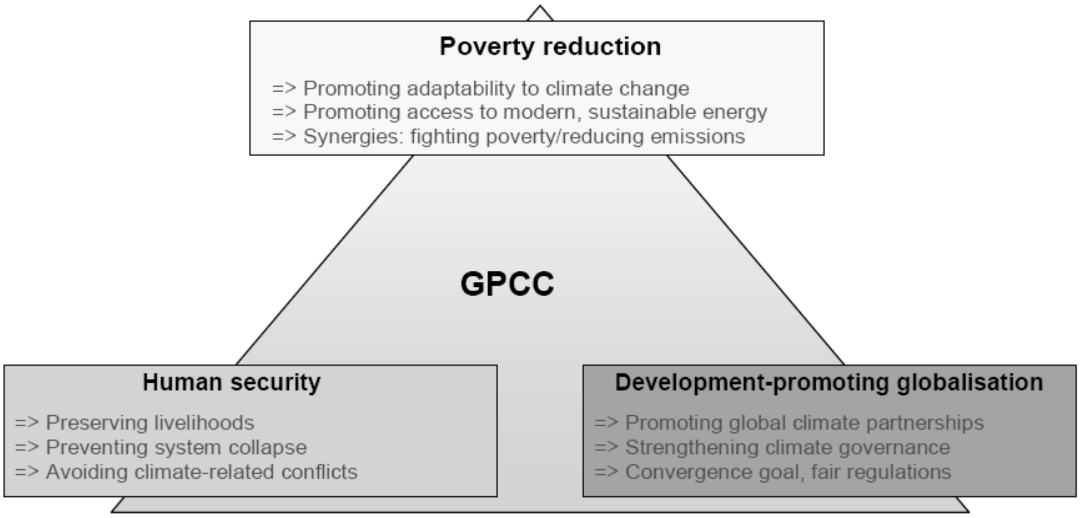
In order not to over-burden the system with another strategy, SDC and SECO each decided to translate the global priority determined by parliament directly into operational papers. SDC completed its plan in May 2009, while SECO is currently finalizing its new strategy. It is regrettable that SDC and SECO did not use this opportunity to formulate a joint strategy with shared objectives and divided tasks.

Environment and climate change aspects of development are the concern of four entities (three ministries) in the Swiss administration: SDC and SECO focus on the operational side, while FOEN and the Political Division V for Sector Policy Co-ordination of the FDFA take the lead in international policy negotiations. SECO's involvement in environmental aspects is mainly in the field of trade and private sector co-operation, while SDC links them with aspects of vulnerability, land management, and disaster risk reduction. Their approaches are each described in detail below.

SDC: fostering climate change focus on anchor countries

Climate change has become a priority issue for SDC and the focus of one of its global programmes in 2008. An operational paper defines the future approach of the new Global Programme for Climate Change (GPCC; CH, 2009). It links climate change with all three key areas of Swiss development co-operation: poverty reduction, human security, and development-friendly globalisation (see Figure 8). This reveals a positive intention to mainstream the concept. In addition, SDC's new Global Programme on Water, established in 2008, is a crucial component of environment and climate change that has a multiplier effect on areas such as health, agricultural production, and food security. However, with a shift of interests towards climate change, other key environmental topics, such as biodiversity, desertification, and chemicals management, are receiving less attention. It is unclear to what extent Switzerland plans to continue to address environmental issues beyond climate change in bilateral development co-operation in the future.

Figure 8. Climate and development in the SDC strategic triangle



Source: Conseil fédéral suisse (CH) (2009), Global Programme for Climate Change, GPCC, Berne

SDC's programme for climate change targets emerging and more advanced economies such as India, China and Brazil. However, this contradicts SDC's mandate to primarily focus on low income countries (CH, 2008b), and therefore requires clarification, especially since SECO also engages in more advanced developing countries. SDC's understanding is that support to these "anchor" countries will have a positive knock-on effect for neighbouring LDCs through South-South co-operation. The peer review team recommends that Switzerland closely monitor whether LDCs indeed benefit from this approach in practice, and that SDC avoid overlap with SECO's mandate, and adapt its focus if necessary.

The SDC's GPCC has three pillars: multilateral negotiations on the climate regime; and an operational focus on adaptation, as well as mitigation. SDC's experience on climate change to date has mainly focused on *adaptation*. In that area, SDC has become a leader in disaster risk reduction, implementing significant programmes since the 1990s (Box 11, and Annex C). Further, it promotes the sustainable use of land, water and soil to foster adaptive capacity in its programmes. SDC's focus on *mitigation* concentrates on energy, a topic that is gaining increasing importance in SDC. It plans to make energy-efficient construction part of its programmes, as well as the access to off-grid, renewable energy in rural areas. An example is Switzerland's support to a mini-hydropower plant in Nicaragua (see Annex E).

SECO: A consistent approach to sustainability in trade, cleaner production and energy

For years, SECO's approach to environment and climate change has been holistic, viewing sustainability as an overarching concept in development co-operation. Now that parliament has defined climate change as a cross-cutting issue for SECO (CH, 2008c), the organisation is revising its approach. Its revised operational strategy will be finalised in the second half of 2009. SECO's broad focus on sustainability has had very positive effects — including climate change mitigation — in recent years. The peer review team therefore suggests that it be maintained, and that those efforts that are specifically mitigating, or adapting to, climate change, be identified.

"Promoting socially responsible and environmentally friendly economic growth" is one of SECO's two main aims in development (SECO, 2008). Most of its areas of intervention have a close link with this commitment: especially trade promotion; private sector development and investment promotion; and infrastructure financing, as the following paragraphs illustrate.

Box 11. SDC's approach to Disaster Risk Reduction

Switzerland's disaster risk reduction (DRR) model is one of the most advanced among donors and is a good example of support to climate change adaptation. DRR has been an integral part of Swiss development co-operation and humanitarian assistance for many years. The overall goal of these efforts is to ensure safety and sustainable livelihoods for people in countries affected by natural disasters, thus contributing to poverty reduction.

SDC focuses its disaster reduction activities on locations where the risk is high and coping mechanisms insufficient. It supports developing countries in implementing the Hyogo Framework for Action. In doing so, it addresses three components of the disaster reduction cycle: prevention (mitigation), response and recovery:

- To ***mitigate*** the impact of disaster risks and prevent the build-up of new ones, Switzerland makes long-term commitments to prevention and/or preparedness. A common preparedness activity of Swiss humanitarian aid consists of strengthening the capacities of governments and NGOs in disaster response.
- SDC's ***response*** to disasters through emergency relief aims to save lives and meet the basic needs of victims (rescue and survival). Such assistance is provided by the SDC's specialised Rapid Response Teams, which can also be deployed for needs assessments. SDC sees the response phase as a window of opportunity to have a longer-term impact and improve local capacity to cope with risks and disasters (resilience to crises), and to integrate preventive thinking in development projects, such as the appropriate use of natural resources.
- During the ***recovery*** phase Switzerland aims to reduce possible future losses with an adapted recovery tactic based on a "build back better" approach, and risk transfer schemes.

To mainstream DRR into all relevant country programmes, SDC has developed a checklist of questions (see below). A DRR network facilitates the implementation of the *DRR Guidelines*. This in-house community of practitioners links field-based DRR focal points in priority countries with the DRR Network Co-ordinator in Bern, and is supported by an online platform, www.riskandsafetynet.ch. Training, policy support and technical advice on DRR, and links with Swiss research centres on DRR, are part of the services which this community offers.

Source: Adapted from SDC Guidelines on Disaster Reduction, SDC website

SECO's environmentally sustainable approach to trade promotion is a model of good practice. SECO strengthens the export potential of farmers and small and medium-sized enterprises (SMEs) in partner countries: it promotes export know-how and the implementation of standards and labels, notably for organic and fair trade products. Such labels, and the related institutional framework for quality assurance, foster the sustainable use of land and natural resources. International certification also makes it easier for exports from developing countries to gain access to Western markets. A good example is SECO's support to the organic production of cotton. SECO's success lies in working with all the different links of the value chain. It supports cotton growers, farmers' associations, links with the processing industry, traders and importers, and was instrumental in designing the Cotton Initiative in four West-African countries, substantially influencing the WTO agenda in a way that met the concerns of developing countries. The establishment of such long-term relationships for production and trade, including with organisations such as Helvetas or Max Havelaar in Switzerland, has brought fair trade organic cotton into Swiss mainstream supermarkets, covering 5% of Switzerland's cotton market (2008), with a goal to conquer 10% by 2012.

Sustainability is also the guiding principle of SECO's integrative approach to private sector development and investment promotion, where it fosters cleaner production. Cleaner Production Centers, established in SECO's priority countries, support the transfer of technology for cleaner production to interested SMEs at a low cost. Such eco-efficient cleaner production is achieved through technical improvements and behaviour change, and can be linked to certification and labeling. SECO also takes a green approach to finance: it has established a Green Credit Line, a reward scheme that provides better financing conditions to SMEs if they integrate the reduction of greenhouse gas emissions and/or other sustainability related "green measures" in their business approach.

SECO also undertakes various efforts directly related to climate change mitigation. Its Cleaner Production Centers help identify and register climate change projects under the Kyoto mechanisms. It supports capacity development for designated national authorities in implementing clean development mechanism (CDM) projects and makes significant investments in the CDM. Other examples include pioneer programmes for tropical forest management eligible for CDM certificates, and grants for infrastructure for renewable energy production. As both SECO and SDC engage in the energy sector, as outlined in the Switzerland's *Energy Foreign Policy* in 2008, and given their overlap in partner countries (see above), clear and joint planning is required to ensure complementarity. Again, a common operational strategy for environment and climate change could be an opportunity to define this.

Mainstreaming and coherence

Switzerland still has no national requirement for strategic environmental assessment (SEA), despite this being recommended by the OECD in its last review on Switzerland's environmental performance (OECD, 2007b). It does, however, have a national requirement for environmental impact assessment (EIA) enshrined in its *1985 National Law on Environment*. As a signatory of the UNECE ESPOO Convention for Environmental Impact Assessment, it must also consult other parties on all major projects under consideration that might have an adverse environmental impact across borders.

At the practical level, SECO and SDC use different tools to mainstream environment and climate change. EIA is being applied consistently for SECO's infrastructure projects, and is an important criterion for project approval. Any potential negative impacts on the environment are also assessed for SECO's investments: to access credit, projects must comply with minimum standards established by the World Bank and International Finance Corporation (IFC), including environmental and climate change criteria. However, no formal environmental screening is done for SECO's trade programme or for SDC programmes, as Switzerland assumes that their impact on the environment is either positive or neutral. It would be good to make explicit the grounds of that assumption.

SDC could do more in terms of developing sector or policy level tools for mainstreaming climate change mitigation and adaptation into development decisions. Overall, the field visits undertaken for this peer review confirmed that there are no consistent instructions from headquarters on environmental screening of projects. It is positive, however, that Swiss co-operation uses partner countries' EIA systems and tools, as in Nicaragua.

Both SECO and SDC do use mechanisms other than EIA to screen their projects:

- Co-operation with SMEs: SECO uses quality criteria and tools to ensure sustainability, cleaner or organic production, and other environmental principles. Labeling and certification can ensure that the rules are strictly applied. The key tool to foster cleaner production is SECO's widely-used life cycle analysis (Box 12).
- Mainstreaming DRR: SDC integrates disaster risk concerns into all of its programmes and projects situated in areas at risk and/or with an impact on land use. It is currently developing a disaster risk classification of all SDC priority countries and regions. When integrated into a programme, DRR becomes part of project cycle management and planning processes. To determine the DRR potential of a strategy, programme or a project, SDC applies key criteria such as: Is the activity within a disaster-prone country or area? Does it have an impact on land use? Is it resilient to hazards? Does it help reduce the risk for vulnerable communities and avoid aggravating risks to others (do no harm)? To ensure that SDC programme staff have adequate skills and tools to mainstream DRR, a community of practitioners with training and policy support exists (Box 11).
- Climate proofing: SDC has been instrumental in developing the OECD Guidance on Integrating Climate Change Adaptation into Development Co-operation. Besides, it supported the development of a Community Based Risk Screening Tool – Adaptation and Livelihoods (CRiSTAL). This tool uses a combined methodology whereby projects are screened for their impact on climate, as well as the impact of climate on them (climate proofing).

Box 12. SECO's use of life cycle analysis to ensure sustainability in cleaner production

SECO uses life cycle analysis to ensure cleaner production, *i.e.* production that uses natural and energy resources more efficiently and which protects them. SECO aims to promote this tool in its trade co-operation with developing and transition countries. The goal is to raise awareness among partners and customers about the use of natural resources, such as water, in the production of a specific good. Life cycle analysis helps producers improve their efficiency, image, and ultimately their market positioning.

Analysing the life cycle of products, however, involves high administrative costs. Collecting, treating, and managing data is a major challenge for many developing countries. Because the Swiss Federal Laboratories for Materials Testing and Research (EMPA) at the University of Zürich have long experience with life cycle analysis and maintain a large database with life cycle data, SECO recognised opportunities for technology transfer in this domain. SECO's Cleaner Production Centres have offered partner countries support through business counselling since 1997. They try to support partner countries in collecting relevant data and feeding them into existing databases so they can be transferred to a central location. Several countries in Latin America and Asia are already part of this initiative.

As a next step, SECO — jointly with Germany— is aiming to develop a way (possibly a label) to inform buyers about how an item was produced and its environmental impact (for instance, water use). The International Trade Centre in Geneva (ISIL, responsible for ISO standard 15511), the ecological footprint initiative, and the water initiative, are also part of these efforts. As a next step, SECO plans to build capacity in developing countries, notably their universities, in using this newly available information collected in relation with the certification process.

Overall, Switzerland's methods for ensuring sustainable programmes and climate change considerations are well advanced and innovative. Yet, there is no common standard or guidance across the Swiss development co-operation system. Instead, the two agencies seem to take their own approaches to mainstreaming environmental practice. This can lead to uneven practice in co-operation offices, or even gaps in areas where neither disaster risk reduction, product cycle analysis, nor climate proofing are applied. In the longer term, the Swiss development co-operation system would benefit from bringing these tools into one coherent logical framework which outlines the requirements programmes must fulfil.

Financing and statistical reporting

Switzerland's financial support to the environment in development co-operation has both a multilateral and a bilateral component. Its multilateral contribution to environmental funds is determined through the Framework Credit for the Global Environment (CH, 2006d) and amounts to almost CHF 110 million over four years (see Chapter 3), funded out of the budget of the FOEN. It serves to replenish the Global Environment Facility (CHF 88 million) to implement major international environment conventions (climate change, biodiversity, chemicals, and desertification); the Ozone Fund that supports developing countries in reducing emissions of gases that harm the ozone layer (12.2 million); as well as two other funds within the framework of the climate convention (total 6.15 million). It is positive that Switzerland advocates using existing financial mechanisms rather than setting up new ones.

However, Switzerland's bilateral spending on environment as part of development co-operation is more difficult to establish. In 2007, Switzerland reported expenses of USD 41 million for biodiversity and USD 26.4 million on Climate Change, but relations are expected to change with the new focus. SDC alone will allocate CHF 20 million to its Global Programme on Climate Change annually, while SECO in the past reported around CHF 12 million on Climate Change.[26] Switzerland has improved its reporting against the Rio environment markers in the area of climate change and biodiversity, but is not reporting on the marker "desertification" nor on "aid to environment". Doing so would allow for a better estimate of the volume of Swiss ODA flows targeted towards environmental improvement, and do better justice to Switzerland's performance in an area that has gained so much political backing and is considered such a priority. Improving its statistical reporting on environment would also help Switzerland to measure its performance against its *Action Plan on Sustainability* (CH, 2008d), in which the "share of ODA that directly supports international environment policy" is mentioned as a possible indicator for measuring success. Finally, it would make it possible for Switzerland to fulfil the recommendation in the *OECD Environment Review of Switzerland* (OECD, 2007b) to improve reporting on ODA in environmental protection.

Staffing, management and division of labour

Matching Switzerland's more focused expertise to the broad nature of international environmental negotiations

Switzerland's *Strategy for Sustainable Development* (CH, 2008d) contains an action plan (2008-2011). This emphasises the need for Switzerland to integrate into its multilateral

26 Figures provided by Switzerland, 1 September 2009

approach the ecological aspects of sustainable development and concerns of LDCs for fairer globalisation. The lead for representing Switzerland at international negotiations on environment and climate change lies with the International Division of FOEN. Since many of the negotiated topics remain of high importance for developing countries, the Federal Office draws on support from SDC and SECO in their areas of implementation. Currently the priorities are climate change, biodiversity and chemicals management.

Switzerland is a leader in the climate change debate. It is part of the executive committee of the GEF, on the governing board of the Kyoto Adaptation Fund, an active leader in CDM and member of the initial CDM Executive Board, and has co-chaired the OECD-DAC task team on integrating climate change adaptation into development co-operation. However, reorienting the main focus of Swiss environmental development co-operation to climate change specifically, after years of taking a broader approach to environment, has created two main challenges:

i. SDC used to support FOEN in multilateral negotiations on biodiversity and chemicals, notably at the UNEP governing council. With its new orientation towards climate change, SDC has lost much of its staff capacity for broader environmental issues, and has withdrawn from those areas, leaving the portfolio to FOEN and FDFA (PD V). The International Division at FOEN consists of 20 people; it lacks the means to compensate for lost SDC expertise in negotiations. To ensure Switzerland remains a credible negotiation partner, the knowledge gained in operations must continue to support negotiations where relevant. Using the inputs of thematic networks (see below) is therefore of utmost importance. Where operational expertise has been lost, new approaches will have to be explored.

ii. Now that SDC has re-oriented its climate change focus on emerging industrialised countries, and SECO focuses on MICs, it remains to be seen to what extent Switzerland's development co-operation actors can credibly speak for the poorest countries on environment and climate change (as intended in the *Strategy for Sustainable Development*).

The crucial role of inter-departmental co-operation and knowledge management networks

Both SDC and SECO have dedicated staff for environmental issues. With the new focus on climate change, SDC's unit on Environment, Natural Resources and Energy was transformed into the Global Programme on Climate Change in October 2008. It still consists of six staff. Two field-based staff complement the unit's activities. In SECO's Economic Development Division, five staff in different units work part time on the topic and deal as focal points for environment and climate change issues.

Ensuring that development co-operation practices abroad reflect Swiss environment policy goals requires close co-operation between departments. Multiple entry points for ensuring policy coherence exist: The Inter-departmental Committee for Sustainable Development co-ordinates Switzerland's policy-making in the field of sustainable development; and the Inter-departmental Committee on Climate Change does the same for climate change policy. The Inter-departmental Committee for Development and Co-operation (IKEZ) also discussed climate change in 2008. A Disaster Risk Reduction network has been in existence for over a decade, and further networks related to environment and climate change are about to be established: Climate Change and Environment; Rural Development; and Water. The peer review team encourages SDC, SECO, but notably also FOEN, to use these platforms fully to ensure policymaking is informed by practice, and *vice versa*.

Day-to-day co-operation between the two agencies and the Federal Office for the Environment exists in certain areas, but should be strengthened. Consulting the Federal Office early on in drafting processes of programmes or strategies should be a priority for SDC. The Environment Office, which is active in regulatory processes such as EIAs, could provide vaulable input. To facilitate communication and overcome human resource limitations, in particular within the Environment Office, it might be helpful if SECO and SDC could determine one focal point each to act as a main "entry point" for the Federal Office to ensure closer operational co-operation. Most importantly, it is crucial that the entities involved — SDC, SECO, the Environment Office and the Federal Office of Energy — clearly determine their roles together, so as to keep mutual expectations in line with their (new) fields of responsibility and expertise.

Future considerations

Capacity development

- SDC and SECO should develop common strategic and operational guidance for capacity development, based on their field experience and on lessons from other donors.
- The Capacity Development Unit should ensure that all thematic networks include capacity development elements.
- Switzerland should provide strong management support and adequate incentives to ensure that staff treats capacity development as a mandatory "way of working". Examples would be making capacity development part of terms of reference and a key objective of programmes and projects.

Environment and climate change

- SDC and SECO are encouraged to formulate a joint approach to environment and climate change. This should build on their positive work on sustainable development and environment, rather than taking a narrow climate change approach that neglects other environmental concerns.
- Instructions on pre-screening of programmes and projects for EIA should be formulated in order to ensure consistency and transparency. Various tools for mainstreaming environment and climate change aspects should be brought together into one logical framework. Field offices with experience in this should be consulted.
- Switzerland should improve its statistical reporting of ODA for environment and climate change, notably on desertification.
- SDC, SECO and the Federal Office for the Environment should use available knowledge management networks and co-operate closely with each other to ensure that Switzerland's engagement in international negotiations continues to benefit from the knowledge gained in development co-operation, and *vice versa*.

Annex A

Progress since the 2005 Peer Review recommendations

Key issues	Recommendations 2005	Progress since 2005
Overall framework and new orientations	To increase visibility and transparency, Switzerland should consider developing a single set of strategic guidelines covering the entire ODA system and linking them to its poverty reduction orientation.	The *2008 Bill for the South* now provides a common strategic framework for the aid system. Linkages to the poverty reduction overarching objective could be made more explicit for all parts of the Swiss development co-operation system.
	SDC and SECO should scale-up their communication strategy, raising the profile of global challenges linked to poverty and world security as well as highlighting Swiss constructive role through targeted interventions and in alliance with other bilateral and multilateral donors.	SDC and SECO are strengthening their communication efforts. Their communication activities cover a broad range of issues, including emerging themes like climate change. Building on its first report on the effectiveness of its aid, Switzerland could communicate further on development results, emphasising the role of partnerships in achieving impact.
Policy coherence for development	Switzerland should strengthen existing institutional arrange-ments for PCD, deepening the involvement of Federal Departments other than development agencies in the debate and enhancing advocacy within the administration and specific interest groups.	While progress has been made to coordinate the delivery of the co-operation programme among departments, institutional arrangements to promote policy coherence for development remain largely informal. Switzerland would benefit from a framework common to all federal departments that helps ensure PCD in the law making process.
	Switzerland should continue to work towards a development-oriented outcome of the Doha Round of trade negotiations, addressing in particular the issues of agricultural subsidies and tariff escalation.	Switzerland's agricultural subsidies remain among the highest in the OECD. Nevertheless, progress has been made: preferential tariffs have been introduced for imports from developing countries, and tariffs were dismantled for all products from LDCs in 2007.
	Switzerland is encouraged to share with the international community, its experience in the area of returning illegally acquired funds to developing countries.	Switzerland has become a pioneer in practising and promoting Stolen Asset Recovery and Restitution since the last peer review. It has organised several conferences to share its experiences internationally, and supported the establishment of the StAR Initiative at the World Bank and UNODC.
	Switzerland could bring the issue of capital flight to the attention of the international community, with the aim of addressing its root causes and impact on developing countries.	

Key issues	Recommendations 2005	Progress since 2005
Aid volume and distribution	Because Switzerland has much to contribute as a bilateral donor to poverty reduction, peace and security, it should revisit the issue of ODA commitments. Sustained ODA increases would provide Switzerland with the means to do more to address the many pressing development challenges in its partner countries.	Switzerland has reached its Monterrey target of an ODA/GNI ratio of 0.4%. Parliament recently asked the Federal Council to outline a growth path to reach a 0.5% ODA/GNI ratio by 2015. Switzerland is encouraged to adopt this goal.
	Switzerland is encouraged to reassess the number of its priority countries, finding a balance between its broader foreign policy objectives and the needs of poor countries, including fragile states. It should concentrate aid in each country/region on sectors based on comparative advantage, effectiveness and potential for impact on a larger scale.	SDC and SECO have reduced their number of priority countries from 17 to 12 and 16 to 7 respectively. Nevertheless, the priority countries of SDC, SECO and the Political Division IV together add up to over 30. Geographic concentration remains limited, with Switzerland's top 20 recipients receiving one third of gross ODA. SDC has also decided to engage in fewer sectors in each country. Implementing this measure remains challenging and will require Switzerland to revisit its comparative advantage on a case-by-case basis, considering priorities of the partner country, activities of other donors and Swiss added value.
	Switzerland’s multilateral strategy should give greater weight to supporting institutions on the basis of criteria linked to performance and impact on poverty reduction.	Switzerland’s multilateral strategy, developed just after the last peer review was undertaken, puts Switzerland’s multilateral engagement at the service of the MDGs. Monitoring Swiss involvement, and the performance of multilateral organisations, is a key component of it, meaning that Switzerland avoids introducing additional reporting requirements for multilateral agencies. This is positive.
Aid management and implementation	There may be scope for rethinking the overall structure and organisation of the Swiss system, in particular to face the challenges of poverty reduction and aid effectiveness at field level. As an initial step, Switzerland should consider the advantage of consolidating SDC and SECO’s services dealing with multilateral institutions.	Following an in-depth review of its institutional system, Switzerland has decided to maintain the system of two ministries responsible for development co-operation, while strengthening complementarity between the two. For instance, a joint SDC/SECO multilateral strategy has been developed and a regular dialogue takes place on engagement with the multilaterals. However, SDC and SECO still need to harmonise further programming, finding and reporting procedures.
	Switzerland should ensure that all co-operation offices represent both SDC and SECO and are granted the appropriate authority over financial and human resources to manage the Swiss programme effectively.	SDC and SECO have common offices and are seen as one entity in partner countries. Delegation of financial authority remains limited in SDC, and SECO has not yet decentralised its programme. SDC is in the process of decentralising further its programme. In the mean time, it will need to ensure it provides sufficient guidance and backing to field offices and that it stays abreast of what happens in the field.

Key issues	Recommendations 2005	Progress since 2005
	Switzerland's evaluation culture should be scaled-up to give even greater focus on the poverty reduction impact of Swiss interventions. This implies greater efforts to link the monitoring and evaluation system to quality improvements in terms of the information and data needed to measure outcomes.	Important steps have been taken to reinforce the evaluation function within SCD and SECO; new evaluation policies were developed in 2008, increased funding has been allocated to evaluation in SDC and an independent advisory committee on evaluation has been set up in SECO. While engaging more in ex-post, impact evaluations, Switzerland could strengthen the use of evaluation as a forward-looking management tool.
Aid effectiveness	In contributing to the aid effectiveness agenda, SDC and SECO should actively pursue their efforts at elaborating common operational approaches and adopt aid modalities that reduce transaction costs for partner countries, including delegated/ silent partnerships and sector and budget support where conditions permit.	SDC and SECO work within a common development co-operation strategy in partner countries through jointly defined operational approaches. The project approach remains predominant, delegated partnership remains the exception, and sector and budget support are still limited. A challenge will be to maintain the possibility of providing general budget support in LDCs when SECO withdraws from these countries.
	Switzerland should provide more opportunities for developing country partners to manage development activities directly. It should increase the use of local and regional technical expertise whenever possible and the involvement of partner authorities in the selection and performance assessment of technical assistants.	Switzerland is making progress in providing co-ordinated technical support to strengthen capacity. It is also providing more opportunities for nationals to manage Swiss projects in partner countries and being hired as consultants. Most of national programme officers in Swiss co-operation offices are also recruited locally. However, both SDC and SECO should work more through government systems to support capacity development.
Humanitarian Aid	Switzerland should ensure that humanitarian aid remains an independent policy discipline, albeit interlinked to crisis prevention and management in operational terms.	The 2006 Humanitarian Aid Bill and Humanitarian Aid of the Swiss Confederation: Strategy 2010 reiterate the distinctiveness of humanitarian action. These documents refer to and comply with the GHD principles and ensure that overall development co-operation policy does not impinge on core humanitarian principles of humanity, independence, neutrality and impartiality as well as being supportive of the provisions of international humanitarian law.
	SDC could clarify multilateral and bilateral strategies in the field of humanitarian aid and make them focused on operations. The methodology for involving beneficiaries in humanitarian response and addressing environmental and social aspects of humanitarian aid should be further addressed	Switzerland's priorities for multilateral engagement are defined in the Conceptual Framework for Multilateral Commitment. This reflects the priorities of bilateral humanitarian action and serves to broaden its reach. Indicative funding allocations for bilateral and multilateral action are specified in the Humanitarian Aid Bill but the current lack of specific indicators for the multilateral framework is a constraint in demonstrating the

Key issues	Recommendations 2005	Progress since 2005
Humanitarian Aid	in strategies for implementation.	complementarity of these modes of action. SDC-HA has introduced some innovative elements to enable beneficiaries to determine their own priorities (i.e. cash transfer programmes). SDC could further deepen its commitment to beneficiary participation by drawing on the experiences of NGO quality and accountability initiatives.
	When increasing its ODA, Switzerland should maintain the percentage allocated to humanitarian aid. The budget structure could be further clarified and the food aid component should be untied.	SDC Strategy 2010 established a target of 20% of the Swiss ODA budget committed to humanitarian action. This target appears to have been broadly adhered to when also taking into account GHD-eligible expenditure outside the DAC CRS reporting guidelines. An element of Swiss food aid remains tied to Swiss dairy products. However, the WFP appreciates this modality because it is predictable and meets its needs.
	SDC should take advantage of having humanitarian aid as an integrated part of the aid system. It should ensure that the Humanitarian Aid Department is a full participant in development co-operation processes.	SDC Strategy 2010 positions humanitarian action as a complementary approach to longer term development co-operation and a strategic investment in sustainable development – principally through its crisis prevention and preparedness aspects. Switzerland has therefore achieved a pragmatic blend of independence and integration in its humanitarian aid activities.
	SDC could develop its management system for humanitarian strategies and their alignment to the UN Common Humanitarian Action Plans. The use of humanitarian specialists in embassies and SDC co-operation offices could be evaluated to further strengthen this function in field operations.	Swiss humanitarian action is informed, inter alia, by UN Common Humanitarian Action Plans, the profile of global humanitarian needs and Swiss comparative advantages in bilateral deployments. The latter are accredited to - and aligned with – broader international humanitarian response mechanisms. SDC-HA continues to use humanitarian specialists to support co-operation offices in times of crisis. The recent opening of a joint humanitarian and development office in the Middle East under the direct authority of the Delegate for Humanitarian Affairs is an interesting experiment in trying to better blend the two forms of assistance in an environment of recurrent and protracted crises.

Annex B
OECD/DAC Standard Suite of Tables

Table B.1 Total financial flows

USD million at current prices and exchange rates

Net disbursements

Switzerland	1993-97	1998-2002	2003	2004	2005	2006	2007
Total official flows	**959**	**938**	**1 300**	**1 545**	**1 772**	**1 664**	**1 685**
Official development assistance	**959**	**924**	**1 299**	**1 545**	**1 772**	**1 646**	**1 685**
Bilateral	687	680	945	1 187	1 405	1 254	1 263
Multilateral	272	243	355	359	367	392	422
Other official flows	-	**15**	**0**	-	-	**17**	-
Bilateral	-	15	0	-	-	17	-
Multilateral	-	-	-	-	-	-	-
Net Private Grants	**148**	**142**	**280**	**316**	**332**	**402**	**504**
Private flows at market terms	**-1 136**	**1 508**	**1 645**	**- 455**	**5 999**	**9 241**	**10 368**
Bilateral: *of which*	- 757	1 636	1 646	510	6 722	9 480	11 202
Direct investment	- 74	1 511	1 592	273	7 451	10 001	11 199
Export credits	-	-	-	-	-	-	-
Multilateral	- 378	- 128	- 1	- 966	- 722	- 239	- 833
Total flows	**- 29**	**2 589**	**3 225**	**1 406**	**8 103**	**11 306**	**12 557**
for reference:							
ODA (at constant 2007 USD million)	*1 164*	*1 294*	*1 518*	*1 659*	*1 904*	*1 750*	*1 685*
ODA (as a % of GNI)	*0.34*	*0.34*	*0.37*	*0.40*	*0.43*	*0.39*	*0.38*
Total flows (as a % of GNI) (a)	*-0.01*	*0.95*	*0.92*	*0.36*	*1.99*	*2.68*	*2.85*
ODA to and channelled through NGOs							
- In USD million	198	108	177	212	350	353	394
- In percentage of total net ODA	*21*	*12*	*14*	*14*	*20*	*21*	*23*
- Median DAC percentage of total net ODA	*4*	*8*	*8*	*8*	*9*	*7*	*7*

a. To countries eligible for ODA.

ODA net disbursements
At constant 2007 prices and exchange rates and as a share of GNI

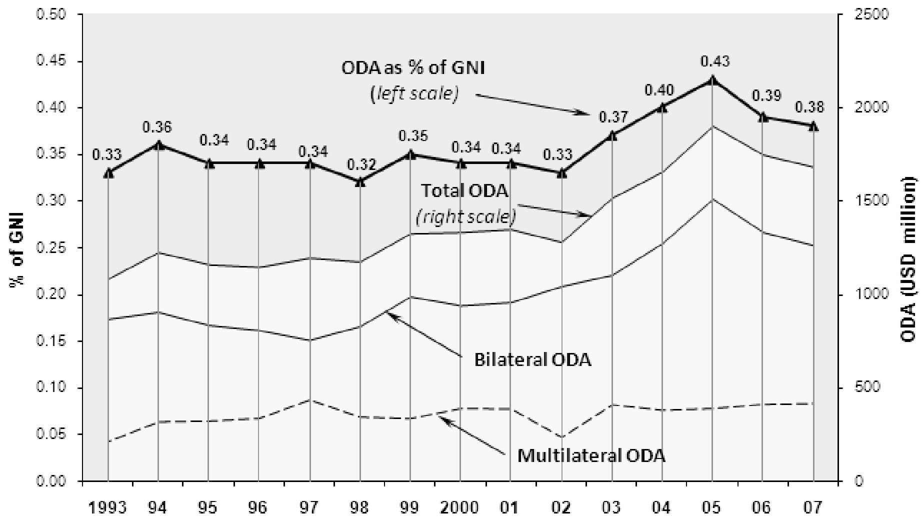


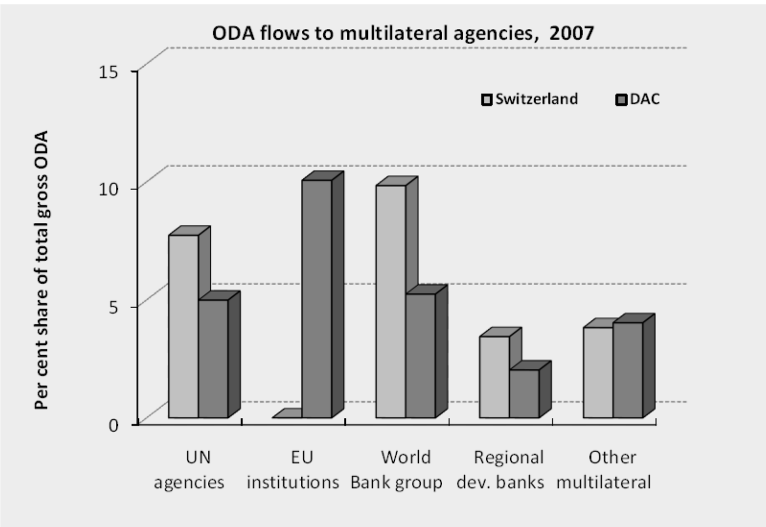
Table B.2. ODA by main categories

Disbursements

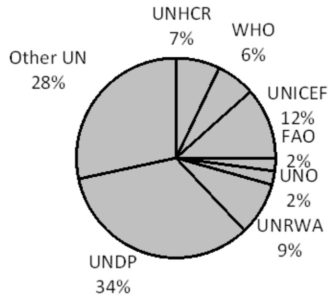
Switzerland	Constant 2007 USD million					Per cent share of gross disbursements					Total DAC
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	2007%
Gross Bilateral ODA	**1 110**	**1 285**	**1 518**	**1 344**	**1 275**	**73**	**77**	**79**	**76**	**75**	**74**
Grants	***1 086***	***1 259***	***1 489***	***1 319***	***1 250***	***71***	***75***	***78***	***75***	***74***	***65***
Project and programme aid	478	585	557	534	435	31	35	29	30	26	24
Technical co-operation	207	126	154	171	166	14	8	8	10	10	13
Developmental food aid	-	-	-	-	-	-	-	-	-	-	1
Humanitarian aid	159	162	205	186	173	10	10	11	11	10	5
Action relating to debt	43	9	241	104	64	3	1	13	6	4	8
Administrative costs	33	32	56	55	108	2	2	3	3	6	4
Other grants	166	345	276	269	303	11	21	14	15	18	10
Non-grant bilateral ODA	***24***	***26***	***29***	***25***	***24***	***2***	***2***	***2***	***1***	***1***	***9***
New development lending	-	4	1	-	-	-	0	0	-	-	7
Debt rescheduling	-	-	-	-	-	-	-	-	-	-	0
Acquisition of equity and other	24	22	28	25	24	2	1	1	1	1	1
Gross Multilateral ODA	**414**	**385**	**394**	**417**	**422**	**27**	**23**	**21**	**24**	**25**	**26**
UN agencies	121	132	125	128	131	8	8	7	7	8	5
EU institutions	-	-	-	-	-	-	-	-	-	-	10
World Bank group	158	157	153	173	167	10	9	8	10	10	5
Regional development banks (a)	77	45	58	61	58	5	3	3	3	3	2
Other multilateral	58	51	58	55	65	4	3	3	3	4	4
Total gross ODA	**1 524**	**1 670**	**1 912**	**1 761**	**1 696**	**100**	**100**	**100**	**100**	**100**	**100**
Repayments and debt cancellation	**- 6**	**- 11**	**- 7**	**- 11**	**- 11**						
Total net ODA	**1 518**	**1 659**	**1 904**	**1 750**	**1 685**						
For reference:											
Associated financing (b)	-	-	-	-	-						
Net debt relief	*43*	*9*	*241*	*104*	*64*						
Imputed student cost	*4*	*1*	*1*	*1*	*2*						
Refugees in donor countries	*26*	*208*	*139*	*141*	*152*						

a. Excluding EBRD.

b. ODA grants and loans in associated financing packages.



Contributions to UN Agencies (2006-07 Average)



Contributions to Regional Development Banks (2006-07 Average)

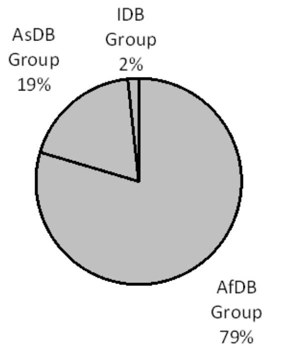
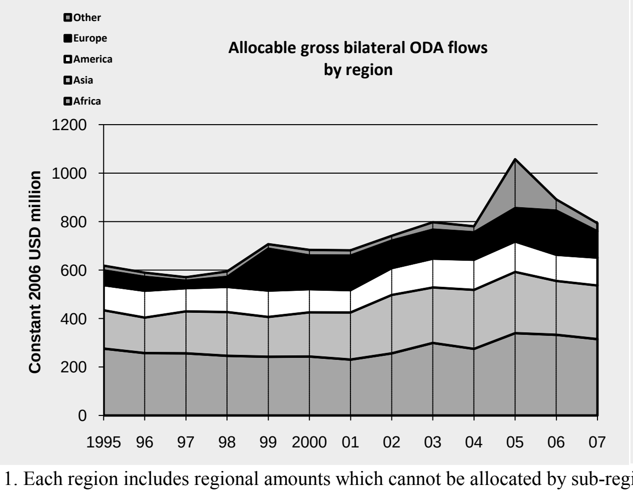
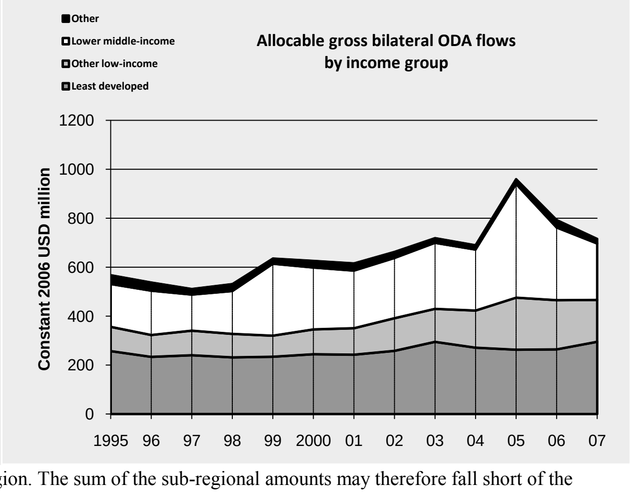


Table B.3. Bilateral ODA allocable by region[1] and income group

Gross disbursements

Switzerland	Constant 2007 USD million					Per cent share					Total DAC
	2003	2004	2005	2006	2007	2003	2004	2005	2006	2007	2007%
Africa	299	274	339	332	315	37	35	32	37	40	**40**
Sub-Saharan Africa	286	263	321	312	298	36	34	30	35	38	**33**
North Africa	11	6	15	17	13	1	1	1	2	2	**5**
Asia	230	244	253	223	222	29	31	24	25	28	**29**
South and Central Asia	159	173	174	164	161	20	22	16	18	20	**14**
Far East	63	61	74	55	57	8	8	7	6	7	**14**
America	119	124	126	108	115	15	16	12	12	15	**9**
North and Central America	44	51	58	47	54	6	7	6	5	7	**4**
South America	72	71	66	59	58	9	9	6	7	7	**5**
Middle East	30	25	201	46	33	4	3	19	5	4	**17**
Oceania	0	0	0	0	0	0	0	0	0	0	**2**
Europe	120	113	138	182	109	15	14	13	20	14	**4**
Total bilateral allocable by region	**798**	**781**	**1 058**	**892**	**794**	**100**	**100**	**100**	**100**	**100**	**100**
Least developed	295	271	263	264	295	41	39	27	33	41	**32**
Other low-income	135	151	213	201	171	19	22	22	25	24	**18**
Lower middle-income	270	249	464	297	230	38	36	48	37	32	**43**
Upper middle-income	19	17	19	30	19	3	3	2	4	3	**6**
More advanced developing countries	-	-	-	-	-	-	-	-	-	-	**-**
Total bilateral allocable by income	**718**	**689**	**959**	**792**	**715**	**100**	**100**	**100**	**100**	**100**	**100**
For reference:											
Total bilateral	1 110	1 285	1 518	1 344	1 275	*100*	*100*	*100*	*100*	*100*	***100***
of which: Unallocated by region	*312*	*504*	*460*	*452*	*481*	*28*	*39*	*30*	*34*	*38*	***19***
of which: Unallocated by income	*392*	*596*	*558*	*552*	*559*	*35*	*46*	*37*	*41*	*44*	***26***





1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4. Main recipients of bilateral ODA

Gross disbursements

Switzerland	1996-2000 average			Memo:
				DAC
	Current USD million	**Constant 2007 USD mln**	**Per cent share**	***countries' median***
Serbia	23	32	4	
Mozambique	22	29	3	
India	21	28	3	
Tanzania	18	23	3	
Bolivia	16	20	2	
Top 5 recipients	**100**	**132**	**15**	**25**
Bangladesh	15	20	2	
Bosnia-Herzegovina	14	18	2	
Nepal	13	17	2	
Burkina Faso	12	16	2	
Pakistan	10	13	2	
Top 10 recipients	**164**	**217**	**25**	**40**
Viet Nam	10	14	2	
Egypt	10	13	1	
Rwanda	10	12	1	
Peru	10	12	1	
Albania	9	12	1	
Top 15 recipients	**213**	**280**	**32**	**51**
South Africa	9	12	1	
Nicaragua	8	10	1	
Madagascar	8	10	1	
Benin	8	10	1	
Chad	7	9	1	
Top 20 recipients	**253**	**331**	**38**	**59**
Total (126 recipients)	**432**	**568**	**65**	
Unallocated	230	303	35	22
Total bilateral gross	**662**	**870**	**100**	**100**

	2001-05 average			Memo:
				DAC
	Current USD million	**Constant 2007 USD mln**	**Per cent share**	***countries' median***
Serbia	44	53	4	
Iraq	35	38	4	
India	25	30	2	
Mozambique	24	29	2	
Tanzania	22	27	2	
Top 5 recipients	**150**	**177**	**15**	**27**
Burkina Faso	18	22	2	
Bolivia	15	19	2	
Nepal	15	18	1	
Viet Nam	14	17	1	
Afghanistan	14	17	1	
Top 10 recipients	**227**	**270**	**23**	**44**
Bosnia-Herzegovina	14	18	1	
Peru	14	17	1	
Pakistan	13	15	1	
Bangladesh	12	15	1	
Nicaragua	12	14	1	
Top 15 recipients	**292**	**348**	**29**	**51**
Palestinian Adm. Areas	11	13	1	
Congo, Dem. Rep.	11	13	1	
China	11	13	1	
Tajikistan	11	12	1	
Chad	10	12	1	
Top 20 recipients	**346**	**413**	**35**	**58**
Total (122 recipients)	**610**	**729**	**61**	
Unallocated	386	457	39	23
Total bilateral gross	**995**	**1 186**	**100**	**100**

	2006-07 average			Memo:
				DAC
	Current USD million	**Constant 2007 USD mln**	**Per cent share**	***countries' median***
Serbia	73	76	6	
Nigeria	26	27	2	
Tanzania	25	26	2	
Mozambique	23	24	2	
Burkina Faso	21	21	2	
Top 5 recipients	**168**	**175**	**13**	**35**
Viet Nam	19	20	2	
India	19	19	1	
Afghanistan	19	19	1	
Bosnia-Herzegovina	18	19	1	
Nepal	18	19	1	
Top 10 recipients	**261**	**270**	**21**	**47**
Palestinian Adm. Areas	18	19	1	
Pakistan	17	18	1	
Cameroon	17	18	1	
Bangladesh	17	17	1	
Nicaragua	16	17	1	
Top 15 recipients	**346**	**358**	**27**	**54**
Bolivia	14	15	1	
Peru	14	15	1	
Ghana	14	14	1	
Kyrgyz Republic	14	14	1	
Chad	13	14	1	
Top 20 recipients	**416**	**430**	**33**	**60**
Total (118 recipients)	**730**	**754**	**58**	
Unallocated	539	556	42	25
Total bilateral gross	**1 270**	**1 309**	**100**	**100**

Table B.5. Bilateral ODA by major purposes

at 2007 constant prices and exchange rates

Gross disbursements

Switzerland	1996-2000 average		2001-05 average		2006-07 average		2006-07 Total DAC per cent
	USD million	Per cent	USD million	Per cent	USD million	Per cent	
Social infrastructure & services	**165**	**20**	**230**	**20**	**290**	**22**	**38**
Education	36	5	44	4	47	4	9
of which: basic education	11	1	13	1	8	1	2
Health	34	4	41	4	40	3	5
of which: basic health	17	2	27	2	20	2	3
Population & reproductive health	2	0	3	0	3	0	5
Water supply & sanitation	38	5	35	3	34	3	4
Government & civil society	47	6	97	8	155	12	11
of which: Conflict, peace & security	-	-	14	1	64	5	2
Other social infrastructure & services	7	1	10	1	12	1	4
Economic infrastructure & services	**68**	**9**	**94**	**8**	**90**	**7**	**12**
Transport & storage	31	4	19	2	11	1	4
Communications	7	1	0	0	2	0	0
Energy	4	0	11	1	20	2	4
Banking & financial services	13	2	45	4	45	3	2
Business & other services	13	2	19	2	12	1	2
Production sectors	**87**	**11**	**101**	**9**	**107**	**8**	**5**
Agriculture, forestry & fishing	61	8	58	5	63	5	4
Industry, mining & construction	16	2	21	2	20	2	1
Trade & tourism	8	1	22	2	23	2	1
Other	1	0	0	0	0	0	0
Multisector	**159**	**20**	**234**	**20**	**164**	**13**	**7**
Commodity and programme aid	**32**	**4**	**49**	**4**	**35**	**3**	**4**
Action relating to debt	**19**	**2**	**59**	**5**	**84**	**6**	**17**
Humanitarian aid	**165**	**20**	**174**	**15**	**180**	**14**	**7**
Administrative costs of donors	**15**	**2**	**35**	**3**	**82**	**6**	**5**
Aid to NGOs (core support)	**81**	**10**	**114**	**10**	**122**	**9**	**4**
Refugees in donor countries	**12**	**2**	**86**	**7**	**147**	**11**	**2**
Total bilateral allocable	**803**	**100**	**1 175**	**100**	**1 300**	**100**	**100**
For reference:							
Total bilateral	*822*	*69*	*1 186*	*76*	*1 309*	*76*	*76*
of which: Unallocated	*19*	*2*	*10*	*1*	*10*	*1*	*1*
Total multilateral	*372*	*31*	*365*	*24*	*419*	*24*	*24*
Total ODA	***1 194***	***100***	***1 550***	***100***	***1 729***	***100***	***100***

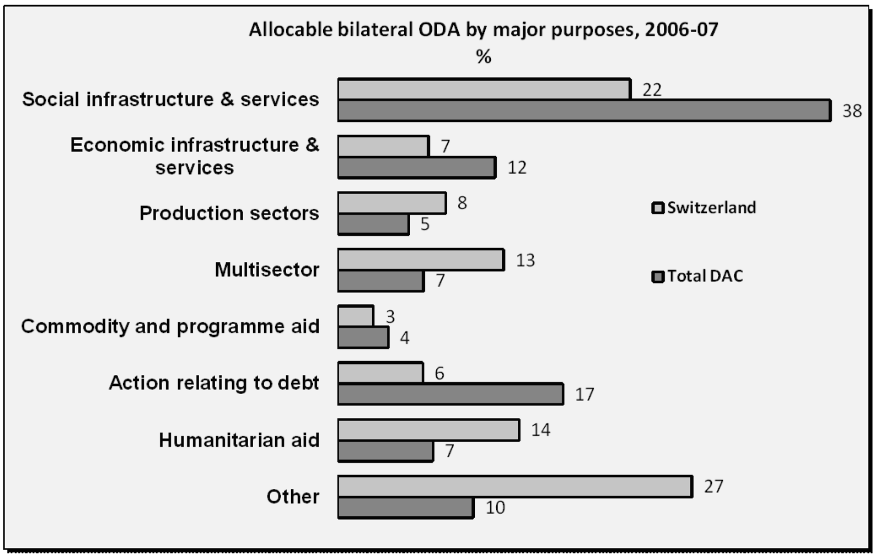


Table B.6. Comparative aid performance

Net disbursements

	Official development assistance			Grant element of ODA (commitments)	Share of multilateral aid				ODA to LDCs Bilateral and through multilateral agencies	
	2007		2001-02 to 06-07 Average annual % change in real terms	2007	2007				2007	
					% of ODA		% of GNI			
	USD million	% of GNI		% (a)	(b)	(c)	(b)	(c)	% of ODA	% of GNI
Australia	2 669	0.32	7.2	100.0	15.0		0.05		25.8	0.08
Austria	1 808	0.50	12.9	100.0	26.8	12.4	0.13	0.06	14.0	0.07
Belgium	1 953	0.43	5.1	99.7	36.5	13.3	0.16	0.06	39.7	0.17
Canada	4 080	0.29	6.1	100.0	22.7		0.07		38.3	0.11
Denmark	2 562	0.81	-1.7	100.0	35.6	26.3	0.29	0.21	42.0	0.34
Finland	981	0.39	7.5	99.9	40.5	22.5	0.16	0.09	37.2	0.15
France	9 884	0.38	6.1	92.6	36.7	14.9	0.14	0.06	29.9	0.11
Germany	12 291	0.37	8.0	95.8	35.3	15.4	0.13	0.06	24.6	0.09
Greece	501	0.16	2.9	100.0	50.2	6.7	0.08	0.01	22.0	0.04
Ireland	1 192	0.55	14.8	100.0	30.9	19.7	0.17	0.11	50.9	0.28
Italy	3 971	0.19	3.7	98.9	68.0	30.4	0.13	0.06	32.6	0.06
Japan	7 679	0.17	-0.2	86.2	24.8		0.04		32.8	0.06
Luxembourg	376	0.91	6.1	100.0	32.5	23.6	0.29	0.21	38.9	0.35
Netherlands	6 224	0.81	2.6	100.0	25.4	16.3	0.21	0.13	29.0	0.23
New Zealand	320	0.27	6.9	100.0	22.7		0.06		26.1	0.07
Norway	3 728	0.95	4.5	100.0	22.7		0.22		35.5	0.34
Portugal	471	0.22	-2.3	85.7	42.6	12.5	0.09	0.03	43.7	0.10
Spain	5 140	0.37	8.1	95.8	35.0	16.9	0.13	0.06	21.7	0.08
Sweden	4 339	0.93	8.2	100.0	32.4	25.2	0.30	0.24	31.3	0.29
Switzerland	1 685	0.37	5.5	100.0	25.0		0.09		29.0	0.11
United Kingdom	9 849	0.35	9.7	100.0	43.1	21.4	0.15	0.07	40.7	0.14
United States	21 787	0.16	9.9	100.0	13.2		0.02		28.1	0.04
Total DAC	103 487	0.28	6.4	97.1	29.6	18.3	0.08	0.05	30.8	0.09
Memo: Average country effort		0.45								

Notes:

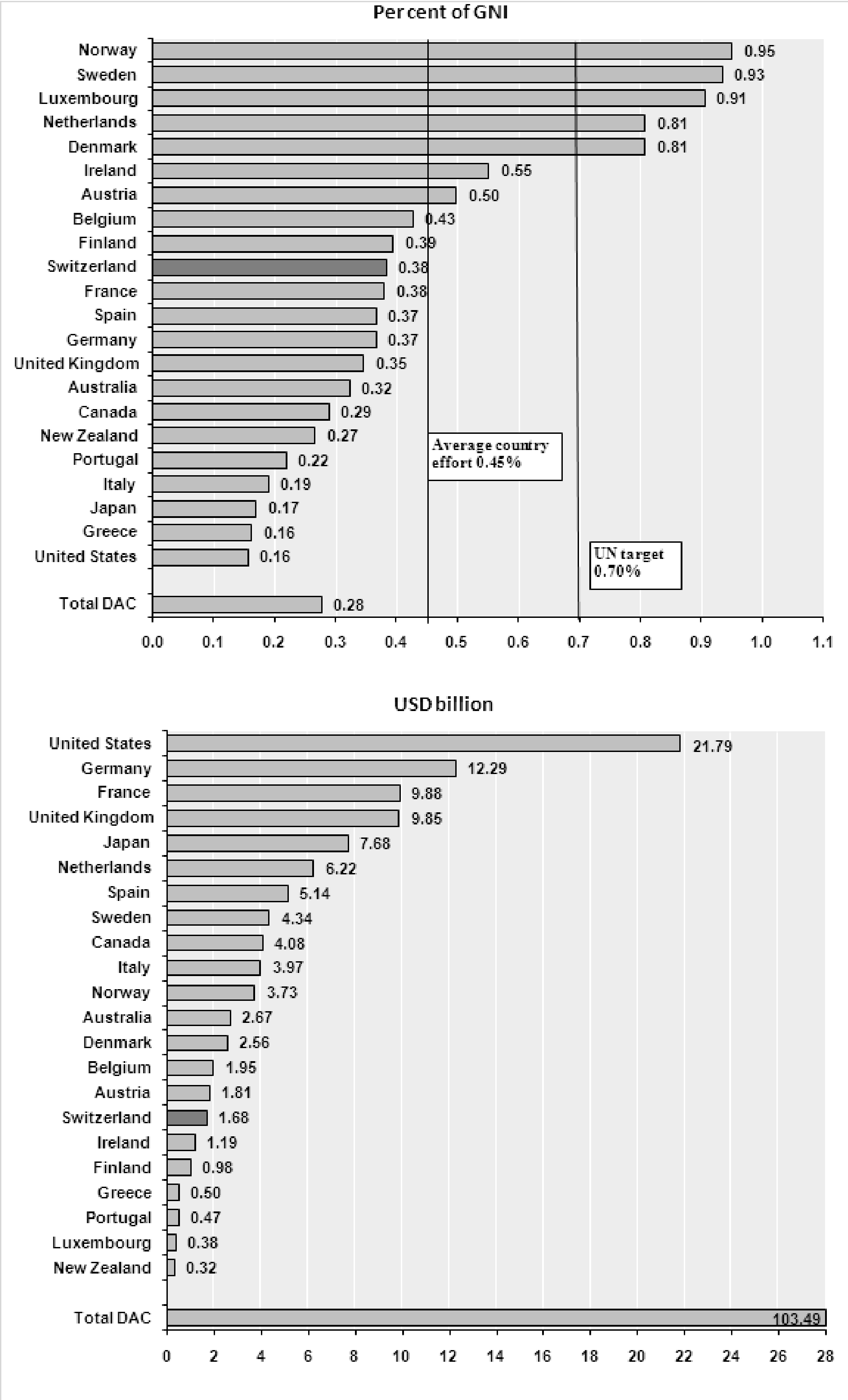
a. Excluding debt reorganisation.

b. Including EU institutions.

c. Excluding EU institutions.

.. Data not available.

Graph B.1. Net ODA from DAC countries in 2007



Annex C

Switzerland and the Good Humanitarian Donorship Initiative

Switzerland endorsed the *Principles and Good Practices of Humanitarian Donorship*[27] at the inaugural Good Humanitarian Donorship (GHD) Conference in Stockholm in 2003. While Switzerland has not developed a national GHD implementation plan, key strategic documents directly refer to the *Principles and Good Practices of Humanitarian Donorship,* demonstrating an ongoing commitment to the goals of the GHD initiative. Furthermore, SDC has identified specific objectives for its engagement in the GHD initiative, "through participation in … the Good Humanitarian Donorship Initiative, develop co-ordination guidelines to promote harmonized flow of funds to areas of greatest needs" (SDC, 2005c). This peer review is the second time that Switzerland has been assessed by the DAC against its GHD commitments. Part one of the previous peer review (OECD, 2005b) made five specific recommendations for Swiss humanitarian action. Switzerland has attempted to address these recommendations (Annex A).

This peer review has been conducted in accordance with the 2005 humanitarian assessment framework.[28] The report is structured in line with the four thematic clusters of the GHD principles and good practices: (i) policy framework for humanitarian action; (ii) funding flows; (iii) promoting standards and enhancing implementation; and (iv) learning and accountability. It concludes by identifying issues for further consideration by the Swiss development co-operation system. The report primarily draws on a series of meetings held in Bern in March and May 2009 with SDC officers and counterparts in the Political Affairs Division IV (PD IV) and Department of Defence. Supplementary comments were also sought from a number of European-based multilateral agencies and Swiss NGO partners. Assessment of Swiss humanitarian action was not an objective of the field visits to Albania and Nicaragua.

Policy framework for Swiss humanitarian action

Legal foundations

As noted in the previous peer review report, Switzerland has a robust legislative framework for humanitarian aid, which is anchored, first and foremost, in the *1976 Federal Act on International Development Co-operation and Humanitarian Aid* (CH, 1976). Within this overarching legislation for Swiss development co-operation, the distinctive goals of humanitarian action are clearly acknowledged. Specifically, Article

27 http://www.goodhumanitariandonorship.org/background.asp

28 The headquarters and field visits were conducted before the revised humanitarian assessment framework for DAC peer reviews (DCD/DAC (2008)48/REV1) had been approved. Nevertheless, the peer review team acknowledges that Swiss officials voluntarily addressed many of the new issues covered in the humanitarian assessment framework.

No.7 states that "the aim of humanitarian aid is to help preserve the lives of human beings who are in danger and to alleviate suffering through preventive and emergency aid measures; such aid is intended for victims of natural disasters and armed conflicts" (SDC, 2007c).

The federal law is underpinned by a series of decrees that provide more detail of responsibilities and mandates. Article 14 of the *Decree on International Development Co-operation and Humanitarian Aid* (CH, 1977) assigned lead responsibility for Swiss involvement in international humanitarian action, including liaison with international humanitarian agencies, to the Federal Department of Foreign Affairs (FDFA). SDC was made responsible for allocating and deploying Swiss assets in the event of overseas catastrophes. The *Federal Decree on Overseas Disaster Relief* (CH, 2001) reinforces the distinctiveness of humanitarian action by defining the basis for principled co-operation across military and civil domains (including NGOs and cantons). A new element of the legislative hierarchy since the 2005 peer review is the *Bill to Parliament Concerning the Continued Provision of International Humanitarian Aid of the Swiss Confederation* or "*The Humanitarian Aid Bill*" (CH, 2006c), which not only clarifies respective responsibilities but also underpins the five-year (2007-2011) credit frame for Swiss humanitarian aid.

This comprehensive legislative framework has served Switzerland well in safeguarding the integrity of its humanitarian action by providing a clear demarcation of responsibilities that closely adheres to the *Principles and Good Practices of Humanitarian Donorship*. Moreover, the *Humanitarian Aid Bill* (Article 2.7) enshrines Switzerland's GHD commitments within the legislation. Furthermore, as the depository state of the Geneva Conventions, Switzerland occupies a unique position within the international humanitarian community. This position imparts a duty to protect and promote the core principles of humanity, independence, neutrality and impartiality. Unsurprisingly then, Swiss humanitarian strategies, priorities and procedures appear particularly immersed in the obligations of international humanitarian law.

Humanitarian aid in SDC Strategy 2010

Humanitarian action features prominently within SDC's corporate strategy, *SDC Strategy 2010* (SDC, 2000). Natural disasters and violent conflicts are portrayed as "massive setbacks in the development of societies, creating need and suffering" and the strategy commits SDC to be "involved in preventive measures and, if necessary, provides rapid and targeted assistance" (SDC, 2000). This broadened vision of humanitarian action includes measures that not only address the consequences of crises, but also measures to reduce vulnerability to natural and man-made hazards and to develop local capacities to prepare for and respond to shocks when they do occur. Furthermore — and in line with the GHD recognition of primary responsibility for humanitarian action resting with the affected state — the strategy commits SDC programmes to "support and promote its partner's own initiatives … in dismantling the structural causes of conflict [and] in bringing relief to those in need" (SDC, 2000). This dual approach - of considering both structural causes and symptoms of crises - positions humanitarian action as a complementary mode of action for achieving longer-term development co-operation goals and as an investment in sustainable development. In other words, "SDC's humanitarian aid is rapid and flexible, while longer-term co-operation is designed to foster sustainable development" (SDC, 2000). It will be important to ensure that this anchor for humanitarian action within broader development co-operation processes is retained in future versions of SDC's corporate strategy.

Humanitarian aid strategy

The mandate and goals provided by the legislative framework and *SDC Strategy 2010* have been given further definition in humanitarian sector strategies. In 2006, SDC's Humanitarian Affairs Department (SDC-HA) commissioned a review of the existing strategy, *Solidarity Alive: Humanitarian Aid Strategy 2005*. This culminated in the launch, in April 2007, of *Humanitarian Aid of the Swiss Confederation: Strategy 2010*. The updated strategy reiterated the four strategic fields of activity defined by its predecessor, *i.e.* prevention and preparedness; emergency relief; reconstruction/rehabilitation; and advocacy.[29]

The strategy also expands the potential scope of Swiss humanitarian interventions to include assistance to people and communities affected by terrorist attacks. This is in addition to the scenarios identified in the previous strategy, *i.e.* assistance before, during and in the aftermath of conflicts, crises,[30] natural disasters and technological disasters. In expanding the range of potential interventions, Switzerland is positioned to respond to the humanitarian consequences of new global challenges over and above the natural and man-made crises described in the GHD and DAC definitions of humanitarian action. Thus, these not only include humanitarian responses to terrorist acts, but also to pandemics, slow onset crises such as climate change, state fragility and global food insecurity. Switzerland will have to remain mindful in these situations that humanitarian action is primarily concerned with addressing acute needs generated by these events, and avoid diversion of resources from ongoing and more traditional humanitarian emergencies. In these and other crises, humanitarian assistance should provide a bridge to – but not substitute for – structural aid that must be flexible and rapid enough to address the underlying causes, even during the early recovery stage.

Disaster risk reduction

Switzerland's own susceptibility to natural disasters has propelled it to the forefront of global dialogues on disaster risk reduction (DRR). It chaired the Donor Support Group for the United Nations International Strategy for Disaster Reduction (UNISDR) for five consecutive years from 2002 and has maintained a high profile since relinquishing the position, through its support to subsequent chairs from G77 countries. The Hyogo Framework for Action was drafted under a Swiss chair and Switzerland has played an instrumental role in establishing and financing the World Bank/ISDR Global Facility for Disaster Reduction and Recovery (GFDRR). Switzerland has also been an active stakeholder in the ProVention Consortium. These roles have positioned Switzerland as a stalwart for integrated approaches to disaster prevention and preparedness. Switzerland is strongly encouraged to build on this impressive record to further assist these agencies in their efforts to link the efforts of the humanitarian and development communities in the area of disaster risk management.

Not surprisingly, Switzerland's approach to DRR within its own development co-operation programme appears well developed. DRR is not only one of the four priority areas of *Humanitarian Aid of the Swiss Confederation: Strategy 2010* but it is also nominated as a specific co-operation topic in *SDC Strategy 2010* and is one of six priority

29 See Annex C of the 2005 Peer Review Secretariat Report for further details of the eligible activities under each of these categories (OECD, 2005b)

30 Crises are defined in the strategy as "inadequate human security, fragile States situations, epidemics and pandemics as well as collapse or lack of social and States' structures".

themes for Switzerland's engagement with multilateral humanitarian agencies (see next section). Switzerland's approach is defined in the *SDC Guidelines on Disaster Risk Reduction* (SDC, 2008c) as comprising three modes of action: i) mainstreaming DRR across all development co-operation activities in all SDC priority countries and regions assessed to be at high or significant risk, and in all activities assessed to have spatial relevance or situated in a risk area; ii) targeted DRR activities in situations of particular vulnerability and marginalisation; and iii) support to the international DRR system. SDC's disaster reduction efforts focus on locations where the risk is high and coping mechanisms are insufficient. To this end, a draft tool, *Disaster Risk Reduction in the Project Cycle Management: A Tool for Programme Officers and Project Managers*, has been developed to facilitate integration of risk management into the programme cycle management process.

Over the longer term, DRR is expected to be integrated into bilateral development processes[31]. However, SDC-HA confronts familiar challenges in reaching out to development colleagues and bilateral partners who are already striving to accommodate several other cross-cutting themes within development co-operation frameworks. To address this constraint, SDC-HA is developing a disaster risk classification system by compiling existing sources of information and SDC experiences (see Chapter 6). This will strengthen the evidence base for DRR and should assist in appropriate targeting of Swiss assistance. In the meantime, special emphasis has been placed on strengthening local disaster risk management mechanisms through preparedness, prevention and mitigation initiatives in eight pilot countries, with seed funding from the humanitarian aid credit frame.

A Conceptual Framework for Multilateral Commitment

Switzerland's Multilateral Development Co-operation Strategy (SDC, 2005a) places special emphasis on security, crisis management and transitions between humanitarian aid and development-based activities in dialogues. *Humanitarian Aid of the Swiss Confederation: A Conceptual Framework for Multilateral Commitment* (SDC, 2005c) identified a differentiated approach to multilateral engagement in the humanitarian sector based on six primary and three secondary partnerships.[32] Beyond these agencies, humanitarian engagement will be selective in areas of mutual interest but without long-term funding commitments. The framework, which is in response to a specific recommendation in the previous peer review, contains six priority themes developed into 20 specific objectives that draw on the *Principles and Good Practices of Humanitarian Donorship*. It also contains five transversal commitments. As with the overarching multilateral strategy, Swiss humanitarian priorities and objectives are to be pursued at three complementary levels: as a shareholder, a stakeholder and as an operational partner. However, the framework lacks measureable indicators for demonstrating impact and results. This is a deficiency and Switzerland could usefully draw on the benchmarks developed by the GHD group in order to monitor progress against its humanitarian

31 See, for example, Annex E, para.8 for commentary on integrating DRR into the bilateral programme in Nicaragua

32 Primary (Category One) partners are International Committee of the Red Cross (ICRC), WFP, UNHCR, UNRWA, Office for the Co-ordination of Humanitarian Affairs (OCHA) and ISDR. Secondary (Category Two) partners are International Federation of Red Cross and Red Crescent Societies (IFRC), UNICEF and UNDP/BCPR (Bureau for Crisis Prevention and Recovery).

objectives, to demonstrate results domestically and to identify Swiss contributions to the collective donor commitments made in Stockholm in 2003.

Financing Swiss humanitarian action

Management

Swiss government financing for humanitarian activities is channelled primarily through the SDC-HA, which is responsible for allocating the humanitarian aid budget. Smaller allocations for humanitarian action are occasionally made by the Directorate Regional Co-operation and from other government departments; *e.g.* the Federal Office for Migration provides some targeted funding to the International Organization for Migration (IOM). Up to 80% of the bilateral funds are "programmed" and disbursed early in the financial year, with the remainder being withheld for allocation in response to emerging crises over the course of the year (the emergency fund management allocation system).

Volume

SDC Strategy 2010 established the broad principle that "the average proportion of humanitarian aid in SDC's budget [should] remain constant at approximately 20 percent" (SDC, 2000). The *2006 Humanitarian Aid Bill* established a framework credit of CHF 1.5 billion for Swiss humanitarian action over the five years 2007-2011. In the case of unexpected needs, additional credit lines can also be approved by the Federal Council (*e.g.* an additional CHF 9 million for the global food crisis in 2008 and CHF 20 million for the Lebanon crisis in 2006). Switzerland reported annual average humanitarian aid disbursements totalling USD 180 million (CHF 209 million) or 14% of bilateral ODA over the period 2006-2007. The balance is comprised of Switzerland's substantial core commitments to multilateral humanitarian agencies. Furthermore, as noted above, on occasion the Directorate for Regional Co-operation allocates funds for ODA-eligible humanitarian action and absorbs GHD-eligible expenditure for DRR activities under development sector codes. The volume of these DRR-related activities from this directorate is unknown.

Channels

The *Humanitarian Aid Bill* (CH, 2006c) stipulated that the humanitarian budget be allocated in approximately equal proportions among the: (i) UN humanitarian agencies; (ii) International Committee of the Red Cross (ICRC); and (iii) direct (bilateral) humanitarian operations through the Swiss Humanitarian Aid Unit (SHA) and Swiss and non-Swiss NGO programmes. The exact proportions vary year-on-year according to the fluctuating needs and respective competencies of these agencies and the nature of the crises, but this guidance provides indicative figures for planning purposes.

In 2008, USD 88.3 million (CHF 106 million) or 35% of the budget was allocated to UN humanitarian agencies, including the provision of secondments, principally WFP (USD 45.7 million, of which USD 5 million is provided as in-kind dairy products), UNHCR (USD 20.8 million[33]), UNRWA (USD 10.5 million) and OCHA

33 Additional funding for UNHCR was received from the Federal Office for Migration, mainly for protection activities.

(USD 3.8 million)[34]. USD 84.2 million (CHF 101 million) or 34% of the humanitarian budget was allocated to ICRC; USD 32.5 million (13%) was channelled through NGOs and USD 28.3 million (11%) was allocated for direct (bilateral) operations of SDC-HA (see below).

NGO funding is allocated to projects and, in recent years, to programmes of a privileged group of NGOs. Eligible organisations are chosen on the grounds that they are known to SDC-HA, rather than using an established set of criteria that might permit new organisations to be included. Under the terms of framework agreements, SDC-HA provides core grants to this group against proposals showing indicative programming priorities. These grants then allow NGOs – and, in particular, the Swiss Red Cross Society - to mobilise responses to sudden onset crises before receiving donations from public appeals and without resort to SDC-HA for prior approval. However, the current system of clustering funds for NGO support together with direct bilateral operations (see above) leads to some perceptions that they are in competition, *i.e.* that funding available to support humanitarian action by NGOs depends on the level of direct bilateral operations. Switzerland could consider defining the relative proportion allocated to each within this indicative funding envelope.

Priorities

Humanitarian aid is allocated on the basis of need and Swiss comparative advantage irrespective of the priorities of the rest of the development co-operation system. In 2008, the SDC-HA budget (USD 248 million) was allocated to emergency and relief activities (52%), reconstruction activities (29%), advocacy (11%) and prevention/preparedness activities (5%). The latter primarily support global DRR initiatives (such as ISDR and GFDRR) or seed funding for pilot DRR initiatives in partner countries.

In determining allocations of earmarked (to country or theme) contributions to multilateral partners, SDC-HA proposes an allocation based on previous expenditure patterns, analysis of the current profile of global humanitarian needs (including consideration of the GNA Vulnerability and Crisis Index) and weighting to reflect areas of Swiss comparative advantage. However, these allocations are negotiable according to the funding shortfalls of recipient agencies and may also be subject to further re-negotiation as humanitarian priorities and resource shortfalls fluctuate during the course of the year.

Quality of Swiss financing

Humanitarian Aid of the Swiss Confederation: Strategy 2010 (SDC, 2007c) spells out the working procedures for Swiss humanitarian action, *i.e.* rapid, targeted, innovative, participatory, co-ordinated, focused, effective, efficient, transparent and visible. These ambitions correspond to Switzerland’s commitments under the GHD initiative and several implementing partners commented that Switzerland was achieving these high ambitions. The five-year credit frame provides good year-on-year predictability for Swiss humanitarian action. Flexibility is another hallmark of Swiss humanitarian funding that is commented on positively by implementing partners. Swiss contributions to UN humanitarian agencies are either unearmarked support (25% in 2008), or soft earmarked

34 Switzerland also contributed USD 7.2 million to the Central Emergency Response Fund (CERF). In accordance with current DAC guidelines these have been recorded as contributions to OCHA although, ultimately, they are fully disbursed to operational humanitarian agencies and not spent by OCHA.

to country or theme (75%). For ICRC, for whom 69% is core support, including financing of the Headquarters in Geneva, and 31% is softly earmarked.

Implementation

Scope and nature of Swiss humanitarian response

Article No.8 of the 1976 Federal Act states that "humanitarian aid can be provided as material assistance, especially food supplies; cash contributions; direct missions involving experts and emergency teams, especially in disaster situations; and any other measure to achieve the objectives of Article No.7" (SDC, 1976). Switzerland has access to a range of flexible instruments to respond to this legislated requirement including (i) financial and in-kind contributions to implementing partners (including Swiss NGOs); (ii) direct missions involving Swiss rapid response teams (RRTs); (iii) secondments to humanitarian agencies and the UN Disaster Assessment and Co-ordination (UNDAC) mechanism, and (iv) stockpiles of relief goods.

The Swiss Humanitarian Aid Unit

SDC-HA has access to a significant operational capacity, the Swiss Humanitarian Aid Unit (SHA), a pool of some 700 personnel and equipment for use in direct bilateral operations and through secondment to international agencies as a "multilateral, crisis management back-up" (SDC, 2007c). SHA resources can also be used to support national disaster management agencies in partner countries and other countries in need.[35] SHA's way of working is defined by the Federal Law on Swiss Humanitarian Aid Unit (CH, 1988) and the inter-operability of the SHA's various components is assured through the consortium Swiss Rescue Services.[36] SHA is organised into nine expert groups with the full spectrum of expertise required to prepare, respond and recover from crises. The SHA also maintains a stockpile of emergency relief goods to supplement its human resource capacities. These resources are under the direct authority of the Delegate for Humanitarian Aid (*i.e.* head of SDC-HA) and are fully funded by SDC-HA. Unlike many other peers who outsource deployable capacities, SHA is an in-house asset that provides the Swiss Government with not only a standby facility to augment country offices during crises, but also significant visibility within international humanitarian operations.

Given Switzerland's heavy investments in bilateral humanitarian operations, the SDC code of conduct (see Chapter 4) is particularly important for regulating the behaviour of deployed personnel in crisis situations where vulnerability of aid recipients is heightened and any improper behaviour or practices could have dire consequences for the integrity of Swiss humanitarian action. The code of conduct establishes acceptable norms and an internal compliance process. This provides a useful basis for attaining Switzerland's GHD commitments to beneficiary participation. However, while the code of conduct provides for investigation of complaints against — or by — SDC staff and contractual

35 Where these deployments occur in non-ODA eligible countries, Switzerland does not report these costs to the DAC.

36 Swiss Rescue is a collaboration between eight organisations – SHA, Swiss Seismological Service, Swiss Air Rescue, Swiss Disaster/Rescue Dog Association, Swiss Army, Swiss Red Cross, Swiss International Airlines and Zurich Airport – which together represent a significant capability for search and rescue that has not only been classified by the International Search and Rescue Advisory Group (INSARAG) secretariat within UNOCHA) as complying with standards but is also certified by ISO 9001/200 http://www.deza.admin.ch/en/Home/Activities/Humanitarian_Aid/Swiss_Rescue

partners, it does not identify a mechanism through which recipients might raise grievances or influence humanitarian decisions. SDC-HA could draw on the experiences of the NGO sector[37] to further strengthen the provisions of the code of conduct in terms of beneficiary participation and accountability to humanitarian beneficiaries.

Civil-military co-operation

The history of the Swiss Defence Forces has long been shaped by Switzerland's status as a neutral state, which meant that, until recently, military personnel had hardly been deployed on missions in their military function outside Switzerland. However, there were some deployments in civilian capacity, such as within the framework of Swiss Rescue. Although Switzerland is a member of both the Organization for Security and Co-operation in Europe (OSCE) and the NATO Partnership for Peace, deployment of Swiss military personnel to peace support operations occurs only rarely. It involves roles that are strictly delineated and which respect civilian authority over humanitarian interventions where these occur in parallel. Nevertheless SDC-HA participates in the NATO Senior Civil Emergency Planning Committee (SCEPC) in the Euro-Atlantic Partnership Council (EAPC) format and has sponsored an OCHA liaison person who disseminated OCHA's civil-military co-ordination concept, including the Oslo and Military and Civil Defence Assets Guidelines, in NATO training and exercises.

Linking emergency response to recovery and development

The 2005 peer review noted that functional — and even physical— separation of SDC-HA from other parts of SDC presents particular challenges when linking Swiss crisis responses with support for downstream recovery and development activities. Traditionally, SHA specialists have been sent to SDC co-operation offices in countries affected by crises to help manage the Swiss response and also to facilitate early planning for transition programmes. In a new innovation, since 2008, the Europe and Mediterranean Division has been the single entity responsible for humanitarian aid and development co-operation in the Middle East. Humanitarian and development competencies are now joined in one organizational unit. At a programme level, the goal is to improve linkages between SDC development and humanitarian assistance through an integrated approach. A strategic framework is currently under preparation but the approach is expected to contain four elements:

- Enhanced synergies between humanitarian and development activities without eroding their respective mandates at both bilateral and multilateral levels.
- Measures to simultaneously address national, regional and global challenges.
- Contribution to common goals in a coordinated and complementary manner.
- Switzerland's added-value is under-scored.

SDC considers the combined office to be a pilot that will address these issues though an integrated approach and, if successful, it will help to ensure smoother transitions throughout the Middle East in the future. It will also enable more adaptability to fluctuations in the humanitarian context. The replicability of this organisational model is

37 See, for example, the People In Aid initiative and the Humanitarian Accountability Partnership.

unclear, but it may help to address concerns raised by examiners in the last peer review (see Annex A).

SDC-HA has also begun to pilot more development-oriented responses to crises and their aftermath. For example, the SDC cash-based approach has been developed to accelerate recovery in crisis-affected communities and is being disseminated by means of a workbook (SDC, 2007d). These schemes provide humanitarian beneficiaries with the opportunity to use a proportion of assistance to replace lost livelihood assets and thus more quickly reduce dependency on relief assistance. An independent evaluation of one scheme in Sri Lanka drew a “highly positive picture of the project in terms of appropriateness, efficiency and impact” and stated that given the difficult, post-tsunami context, “the project could be seen as a remarkable success” (Consortium of Swiss Organisations, 2008).

Advocacy and protection

Advocacy is one of the four strategic areas of SDC-HA activity with the broad objective “to strengthen responsibility for and commitment to the cause of victims”. This strategy identifies five measures that serve to advocate the rights of crisis-affected populations and promote protection of victims of disasters and man-made catastrophes: (i) protection through presence and testimony; (ii) heightened awareness (in international bodies) of the victims’ cause; (iii) promotion of analysis and information on the situation of victims, particularly those of forgotten conflicts; (iv) strengthened coordination of international relief efforts and resource allocation; and (v) improved coherence between humanitarian, peace-keeping, military and economic policies. In order to translate these measures into practical programming options, SDC has published *Advocacy Guidelines* (SDC, 2004) which sets out an operational framework (including indicators) anchored in “a far deeper ethical and moral involvement for alleviating suffering than does a classic project approach”.

SDC-HA’s protection and advocacy functions are carried out in close collaboration with the MFA Directorate of International Law and the MFA PD IV and has culminated in a MFA Strategy on protection of civilians in armed conflict. The PD IV has a parallel but complementary (to SDC-HA) programme of support for humanitarian action including four main themes: humanitarian access, safety and security of humanitarian personnel, internal displacement (including the role of IDPs in peace processes), and ensuring respect of IHL, particularly among armed groups. These themes are pursued through commissioned research and analysis. They aim to inform Swiss policy positions in international fora, as well as to help provide guidance tools to relevant actors. SDC, PD IV and the Federal Office for Migration (FOM) also collaborate on the “Protection in the Region” concept (CH, 2008e) – a pilot programme to provide protection in countries of first asylum to reduce irregular secondary movements and human trafficking.

Gender and humanitarian action

SDC’s *Gender Equality Policy* (SDC, 2003) is applicable to all SDC interventions. Recognising the particular gender dimensions of humanitarian action, SDC-HA commissioned a report, *Gender and Humanitarian Aid* (SDC, 2008d) to provide “methodological support for mainstreaming gender equality in the planning, implementation, monitoring and evaluation of humanitarian aid interventions”. The report highlights the different protection and assistance needs of women and men in crisis situations where vulnerabilities are heightened and traditional gender roles are often altered. It also reflects the GHD principle that humanitarian assistance should be provided in ways that support structural changes in the post-crisis phase and notes that "attention to essential gender issues in the emergency stage can facilitate the transition to longer term development with more extensive gender mainstreaming" (SDC, 2008d). The report draws heavily on analysis and experiences of other agencies to develop a framework for gender analysis. A training package is currently being developed to improve integration of gender-responsive practices into SDC-HA activities. Switzerland's attention to the gender dimensions of humanitarian action is welcome. However, the toolkit currently lacks guidance for monitoring and *ex-post* verification that gender-responsive measures have been successfully implemented. This is an important omission given the dynamics of crisis environments that often result not only in rapidly fluctuating needs and priorities, but also fleeting opportunities to promote structural changes.

Learning and accountability

Monitoring and evaluation approaches for Swiss humanitarian action are stipulated in the *Humanitarian Aid Bill* (CH, 2006c) and broadly align with the requirements of the rest of SDC's development co-operation programme. Monitoring and evaluation are conducted as both single agency and joint exercises depending on circumstances. Standardised reporting formats are accepted from multilateral partners, and NGO partners of SDC commented that the reporting format for SDC-HA funded activities is uncomplicated.

SDC-HA mandates two or three external evaluations annually. The scope of humanitarian evaluations includes all four categories (independent evaluations, external evaluations, external reviews and self-evaluation, see Chapter 4) and covers thematic and geographic programmes/projects. Evaluations are subject to management responses. Learning and good practice derived from these evaluations are disseminated through a core learning partnership within SDC-HA and several communities of practice within SDC-HA serve to transfer lessons from these evaluations, as well as from external sources, across divisional and departmental boundaries. As with other elements of the Swiss development co-operation system, increasing attention is being given to making results and impact core measures of progress and learning within the humanitarian domain. Although embryonic, there are encouraging signs that a culture of results is taking root within SDC-HA.

Human resources management

The Humanitarian Aid Department is one of five corporate domains within SDC. Headed by the Delegate for Humanitarian Aid, SDC-HA has four operational divisions (three geographical and one multilateral) as well as two service divisions (Field Resources and Equipment and Logistics). The use of special contracts (including SHA contracts) enables SDC-HA to adjust staffing levels according to operational needs — particularly in the field. At the end of April 2009, there were 113 people in headquarters (equivalent to 95.15 full-time staff positions) and 75 people[38] in the field (equivalent to 72.9 full time staff positions).

38 This includes 29 staff seconded to UN agencies.

Future considerations

- Switzerland is strongly encouraged to continue to support international efforts to ensure appropriate bridging between humanitarian action and long-term development aid in order to address the underlying causes of crises and the vulnerabilities of crisis-prone communities. In particular, Switzerland is encouraged to continue to take a leadership role in disaster risk reduction and its experiences in implementing cash-based recovery programmes will be of particular interest to other DAC members.
- The *SDC-HA Conceptual Framework for Multilateral Commitment* would benefit from measureable indicators that would serve to demonstrate impact and results. Switzerland could usefully draw on the benchmarks developed by the GHD group in order to monitor progress against its humanitarian objectives, to demonstrate results domestically and to identify Swiss contributions to the collective donor commitments made in Stockholm in 2003.
- Switzerland could further draw on the experiences of NGO quality and accountability initiatives to enhance beneficiary participation and accountability to humanitarian beneficiaries in direct bilateral operations by SHA and NGOs.
- Switzerland's focus on the gender in the context of conflicts, crises and disasters is welcome. The gender and humanitarian aid toolkit should be expanded to provide guidance on monitoring and evaluation of the gender-specific dimensions of humanitarian action.

Annex D

Field visit report Albania

As part of this peer review, a team including representatives of Belgium, The Netherlands and the OECD DAC Secretariat visited Albania from 9 to 10 March 2009. The team met with Swiss Development Co-operation officials and their main partners from Tirana, Shkodra, a northern region of Albania in which Switzerland runs a programme and Durres. This annex summarises the team's observations on Switzerland's development co-operation programme in Albania.

Development context in Albania

Albania is a middle-income economy in transition from a centralised and authoritarian state towards a democratic system with a market economy. It is also changing from a predominantly rural to an urban society. In this transition process, Albania is driven by a combined development and integration agenda. Albania joined NATO in April 2009, and embarked on the process of joining the EU by signing the Stabilisation and Association Agreement (SAA) in 2006. It applied for formal status as a candidate country in April 2009. These aspirations have provided an impetus for reforms, and raised expectations among the population of rapid progress and development. Accordingly, Albania's *National Strategy for Development and Integration 2007-2013* (NSDI) is a "second-generation PRSP": along with a focus on democratisation, the rule of law, and social and economic development, it comprises NATO and European integration.

Albania has advanced from a rank of 94 (2000) to 69 (2008) on the Human Development Index, and has enjoyed solid economic growth over the past years. It is generally considered to be an anchor of economic stability in the region. However, it continues to host a significant proportion of poor people and inequality has slightly risen (INSTAT and the World Bank 2006). An estimated 4.5% of the rural and 2.7% of the urban population continue to live in extreme poverty (USD 1 per day, the World Bank, 2007). An inclusive approach is still needed to ensure that disparities are addressed. Creating an administration that has the capacity to do so remains a challenge. Trafficking, crime, and corruption are still rampant —Albania was 85th on the 2008 Corruption Perceptions Index, far behind the new EU members (Transparency International, 2008). As the staffing of ministries remains heavily influenced by politics, administrative turnover after elections has been high, and has hampered continuity and progress in development. This remains a concern for elections expected for June 2009.

Although Albania still hosts around 30 active bilateral and multilateral donors, its dependency on aid has diminished. Aid by DAC donors — USD 305 million in 2007 — accounts for a mere 3% of GNI. In addition, since 2007 Albania has been receiving pre-accession financial assistance from the EU. This support, to the tune of EUR 70.7 million in 2008, targets transition, institution building, and cross-border co-operation (Commission of the European Communities, 2008). A third significant external resource for development is the influx of remittances. Of a population of 3.2 million Albanians, one million live abroad. Remittances in 2007 accounted for 12.3% of GDP, or EUR 951.7 million (Bank of Albania, 2007). The expected decline of remittances due to the global economic crisis is therefore of particular concern to Albania, as they have permitted many otherwise poor families to cover their daily needs and provided for housing, even in areas that lack infrastructure and basic services.

Switzerland's development co-operation programme in Albania

A programme evolving from humanitarian assistance to development aid and transition…

Switzerland has been supporting Albania's transition since 1992 through bilateral cooperation projects and international programmes which amount to about CHF 130 million. Over the years, the Swiss co-operation programme has grown from a humanitarian response, including reconstruction assistance after the collapse of the communist system, into a technical and financial development programme. Albania became a priority country for Swiss technical and financial assistance in 1995. Since 1997 SDC and SECO have been implementing a programme that focuses on support to private sector development, vocational education training, health care, and the energy and water sectors.

…with an emphasis on including marginalized groups

Switzerland's *Federal Law on Co-operation with Eastern Europe* (CH, 2006a) sets the focus on democratisation and the rule of law, and on development based on a market-driven economy. Swiss support to Albania's "unfinished transition agenda" (SDC/SECO, 2006) is provided within the need for stability and human security in the Balkans, whose conflicts affected Switzerland through migration, and provided a fertile ground for organised crime. Accordingly, "reduc[ing] the economic and social cost created by the transformation process" is part of the support Switzerland has agreed to provide to Albania (Conseil fédéral suisse/Conseil des Ministres de la République d'Albanie (2007), Art. 2.1). Concern about socioeconomic inequality, gender issues and minorities, decentralisation, and pro-poor growth is therefore at the core of Switzerland's programme.

The Swiss Co-operation Strategy for Albania (2006-2009) is in line with the National Strategy for Development and Integration, sector strategies, the Millennium Development Goals (MDGs), and the Stabilisation and Association Process (SAP). Switzerland's development programme is delivered in the form of technical and financial co-operation, as well as humanitarian assistance upon request of the Government of Albania. The programme focuses on three areas: democratisation and decentralisation; development of the private sector; and basic infrastructure and social services (Box 13). Switzerland defined these areas on the basis of its areas of expertise — including health, energy, and water — with a particular focus on combining a bottom-up, decentralised approach with policy dialogue at the central level fostering inclusion and participation in development.

The peer review team found that gender, one of the cross-cutting themes of the programme, has been successfully integrated. The co-operation office aims to promote gender equality by enhancing transparency, accountability and participation, and uses the SDC tool-kit for guidance. Switzerland is recognised among donors as a keen supporter and implementer of gender equality through a participatory, rights-based approach. For instance, Switzerland has assessed several of its programmes for their gender impact, solicited gender training of its development partners in microfinance, supports the implementation of the national gender strategy through UNIFEM, and consults on its new programme with gender specialists. There is clear evidence of good gender integration. For instance, its programme for Roma education began with a low representation of girls, but after three to four years of continuous effort is now gender balanced.

The need for a stronger focus with clear exit strategies

Switzerland chose its areas of intervention so that they would complement existing efforts. While the EU pre-accession process supports reform at the central level, such as fiscal reform, Swiss co-operation also targets the community level. Also, its programme focuses on sectors that EU reforms do not touch, such as health and education. Switzerland reduced its focus topics from four (2001-2004) to three (2007-2010), and, based on thorough reviews and external evaluations, has decided to further cut the number of themes in preparing its country strategy for 2010-2013. For instance, it is phasing out its agricultural projects in 2011 as it is dissatisfied with their small impact. It is also considering shifting its nurse training programme from the health sector (placed under the "basic social services") to the sub-domain "economy and employment". It is also considering re-labelling its "democratisation and decentralisation" sector "democratisation and rule of law" to mirror the sectors defined in the NSDI. The peer review team commends the field office for these efforts, and encourages it to ensure a sustainable handover of sectors from which it pulls out.

Box 13. Swiss Co-operation Strategy for Albania – 2006-2009: thematic priorities

Switzerland's co-operation aims to support the following processes: strengthening of a social and free market economy for the benefit of the population; satisfactory functioning of democracy; and contributing to the regional and European integration of Albania. All in all, it should lead to an improvement in the quality of life in Albania.

- **Democratisation and decentralisation (SDC):**
  The objective is to contribute to the enforcement of democratic principles, with particular attention to improved services and a greater participation of civil society.
  - Local government guidance and furthering local authorities (SDC)
  - Access to information (archives, statistics) (SDC)
  - Building the capacities of local actors (SDC)
- **Development of the Private Sector (SDC/SECO):**
  The objective is to support the development of a prospering private sector.
  - Development of professional capabilities (SDC)
  - Access to markets (SDC)
  - Reform of the business environment (SECO)
  - Capacity building for SMEs and financial intermediaries (SECO)
  - Strengthening local financial institutions to provide finance for SMEs (SECO)
  - Foreign investment facilitation (SECO)
  - Access to international markets (SECO)
- **Basic Infrastructure and Social Services (SECO/SDC):**
  Swiss co-operation aims to contributing to the development of viable infrastructure and to qualitatively and quantitatively good social services.
  - Power production, transmission and distribution (SECO)
  - Water supply (SECO)
  - Health care facilities (SDC)
  - Minority groups (disabled children, Roma) (SDC)
  - Rehabilitation (SDC)

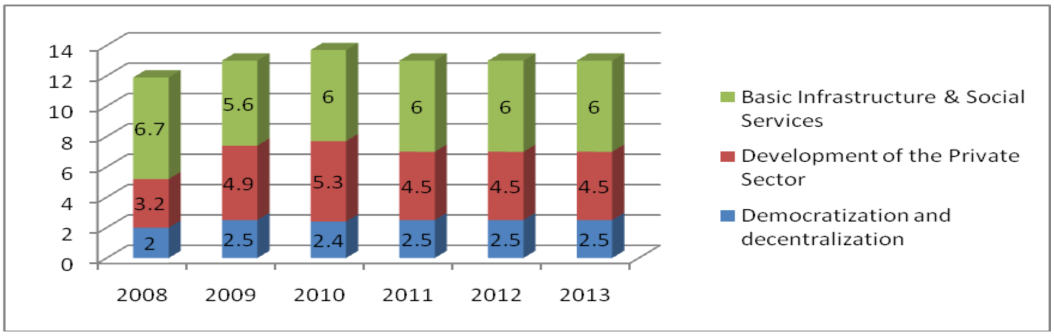
Source : SDC/SECO, 2006; and Swiss Co-operation Office (SCO) Albania, 2008

Financial resources, predictable and flexible funding

Switzerland is the seventh-largest bilateral DAC donor in Albania. Its aid has been very steady. Under its four-year commitment of CHF 50.5 million from 2006 to 2009, it disbursed approximately CHF 12.5 million per year in grants, with SDC and SECO contributing roughly equally. Until 2013, the tentative yearly amount allocated to the programme in Albania will become constant at 14 million (7 million from SDC, 7 million from SECO). Funding has been predictable: all grants are determined in specific intergovernmental agreements, and Switzerland has fulfilled all of its financial pledges since the inception of its programme in Albania. As illustrated below (Figure D.1), "basic infrastructure and social services" receive the largest share of allocations. Of Switzerland's grants in Albania, 60% go through non-governmental channels, while 10% are used to support multi-bilateral initiatives.

Figure D.1. Swiss financial commitment in Albania by theme, 2008-2013

CHF million



Source: SCO Albania

Implementation and aid effectiveness

Aid effectiveness is one of the stated objectives of Swiss co-operation in Albania. As part of its annual programme, the co-operation office reviews its progress in implementing the Paris Declaration and the Accra Agenda for Action. Despite limited resources, it invests a lot of energy in harmonisation. It is actively engaged in nine donor thematic groups and, as of 2009, acts as the bilateral focal point for two sector working groups: decentralisation and regional development, and vocational and education training (VET). In an effort to improve the efficiency of multilateral agencies, Switzerland and four other donors support the One UN pilot programme. In turn, the UN country team regards Switzerland to be one of the few donors to have understood the UN reform, including the importance of un-earmarked funding.

Strengthening weak government channels

Switzerland's willingness to support new aid modalities and shift towards country channels is apparent in Albania. Through a multi-donor trust fund for technical assistance, it supports the government's Integrated Planning System (IPS; see Box 14), a framework for planning and monitoring to ensure that the core government policies and financial processes are developed in an integrated manner. Switzerland is considering partnerships with other donors, such as Austria, as well as delegating co-operation to ADA and KfW, who execute one of Switzerland's projects. In the meantime, Switzerland has made some progress in broadening the programme-based approach. According to the

Monitoring Survey, 56% of the total Swiss bilateral grant disbursed to Albania in 2007 was programme-based, compared with 31% in 2005. The review team encourages Switzerland to continue its efforts to reduce stand-alone projects and to bring them under budget support or programme-based approaches (Chapter 5).

Switzerland has aligned its programme with Albania's NSDI and the 22 sector and 14 cross-cutting strategies which are ready. Switzerland is commended by governmental and non-governmental partners for its open communication, and the thorough consultation it undertakes when designing a new programme. It is also respected for its knowledge and understanding of the Albanian context. Switzerland complements government activities at the regional level, and aligns itself to national priorities *within* the sectors it supports. For instance, in the health sector, Switzerland supports the government's main priority of fostering human resources for healthcare.

Switzerland has begun to provide a small amount of direct budget support at the municipal level through its programme on decentralisation and local government (DLDP), corresponding to less than 1% of the Swiss budget in Albania. It does not yet contribute to sector wide approaches (SWAPS), but channelled 46% of its yearly budget through basket funds (trust funds) and plans to increase this share to 57% in 2009. However, like most other donors in Albania, Switzerland finds it difficult to rely on, and align with, government systems. Despite recent ongoing reforms, the government system in Albania is not widely trusted, and there are reports of high levels of corruption (see above). The recently adopted anti-corruption strategy by government will need to show results before donors engage national systems more widely. Switzerland is awaiting the results of two studies on the public accounting and procurement system (Box 14) before deciding on its path. Switzerland is encouraged to continue to explore ways to build and consequently work through government systems as much as possible.

Box 14. Coordination Framework for Aid Effectiveness in Albania

The Albanian Government's combined agenda of integration and development creates a complex context with competing priorities. Reaching the benchmarks under the EU Stabilisation and Association Agreement, without neglecting social inclusion and health reform, is seen as a challenge that donors believe has yet to be met.

Albania's participation in the DAC Pilot on Aid Effectiveness provided momentum for government and donors. Many view it as the point after which the aid effectiveness agenda was taken more seriously. The semi-annual Government-Donor Roundtable, chaired by the Deputy Prime Minister, sets priorities for government-donor cooperation and identifies areas for joint intervention. It has evolved into a mechanism that addresses real development concerns and seeks to implement the principles of the Paris Declaration. At the technical level, 10 *sector working groups* and about 30 sub-working groups are increasingly being led by government ministries, with the support of one focal donor per group. With the establishment in 2005 of a Department of Strategy and Donor Co-ordination (DSDC) at the Deputy Prime Minister's office, and an External Assistance Strategy, donors are finding it easier to consult with the government and align with national priorities.

Donors co-ordinate their activities through a Donor Technical Secretariat (DTS). It was set up in 2003 and is composed of four multilateral agencies (OSCE, EU, World Bank, UNDP) and (recently) two bilateral partners on a rotational basis (currently The Netherlands and Germany).

…/…

(Cont'd)

Progress is being made in harmonising donor approaches to government policies. A Harmonisation Action Plan — a result of the joint work — is currently being prepared. A joint newsletter, *Government-Donor Dialogue*, is now being published by DTS and DSDC.

However, despite some progress, government and donors face three major challenges to aid effectiveness: ownership, using country systems, and managing for results. Leadership by the government on development issues is uneven among ministries. Donors consider that most of the ministries should play a greater leadership role in implementing the development agenda in their respective sectors. Until this is the case, development co-ordination still requires a substantial input from donors — in particular the focal partners — who bear high transaction costs as a result. To support government in assuming its co-ordination role, an Integrated Planning System was set up, supported by a multi-donor trust fund. Its role is one of building capacity in the establishment of structures and processes, such as EU integration, NSDI, medium-term budgeting programme and external assistance commitments.

A second challenge is using country systems. Continuously high levels of corruption have slowed progress on this effectiveness indicator. An assessment by the UK Department for International Development (DFID) and a study on the Harmonised Approach to Country Systems (HACT) by the UN are examining the public accounting and procurement system. These studies will serve as a basis to many donors in Albania for decisions on their use of government systems as channels for their aid.

A third challenge, recognised by the roundtable itself, is managing for results. The NSDI contains 25 high-level indicators. However, several sectors lack action plans, and donors feel that certain line ministries are not yet ready to take on the responsibility. Some donors find it difficult to resist the temptation to set up parallel meetings to advance more quickly on topics such as monitoring and managing for results.

Even though Albania is not a least developed country, Switzerland has untied all of its aid, with the exception of infrastructure projects by SECO that are being phased out. The peer review team commends Switzerland for this voluntary step. Yet it also shares the concerns expressed by local partners about the remaining tied aid; the rationale for, and advantage of, bringing in Swiss capacity through tied aid is not always clear. The team therefore encourages Switzerland to phase out the tied portion as early as possible.

Reaching out to local NGOs and emigrants

One of the principles of Swiss co-operation in Albania is to strengthen governmental and non-governmental partners and the private sector in their respective roles for development. In a recent assessment, Switzerland concluded that it had not yet achieved this. Most Albanian NGOs with whom Switzerland collaborates are not contracted by SDC; instead they are implementing partners through Swiss NGOs. Thus, the peer review team supports SDC's view that it should begin to reach out more to local partners in the implementation of its programmes. The Swiss Co-operation Fund for small initiatives provides a good opportunity for SDC in Albania to test this approach with potentially new local partners. Under this fund, local partners can apply for funding of up to CHF 30 000 for a project which falls under the themes defined in the Swiss strategy. The fund now covers an average of 15-20 projects yearly, and is meant to create opportunities to start initial collaboration.

Switzerland's co-operation with Albanian emigrants to pool remittances with development co-operation funds is a remarkable example of how development co-operation can reach out to migrant associations to improve the impact of remittances for communities as a whole (Box 15).

Box 15. Increasing the development impact of remittances

In Albania, Switzerland has found an innovative way to pool development co-operation funds with remittances from Albanian emigrants and government budgetary resources to finance public service investments in communes. It did so in Shkodra, a relatively poor region in Albania's north that has a high level of emigration. In this area, many households live on remittances. The level of tax income for the local government is low, providing few resources for building up infrastructure and basic public services. As part of its Decentralisation and Local Development Programme in the Shkodra Region (DLDP), in 2006 Switzerland requested the Swiss foundation InterCooperation to implement a programme in a cluster of eight pilot communities. This NGO contacted associations of Albanian emigrants from Shkodra who now reside in Italy and the USA. It proposed that they could co-finance public investments in their home towns. As a result, InterCooperation managed to set up a fund composed of resources from emigrants, the Swiss co-operation programme, and the municipal government. Consultations with emigrants were held in summer 2006, when many emigrants return home for a holiday. All three parties defined priorities and procedures. The emigrants' association was granted a say in tender procedures. Through this scheme so far, solid waste management, water and sanitation, and similar projects have been supported.

The programme's objectives are to support citizens in local planning, stimulate the interaction between local governments and the population on decision making and information sharing, and to foster the integration of communities into the associations of municipalities and the government system. Switzerland's experience in dealing with decentralised structures, and its reputation as a reliable donor who requires strong monitoring and strict procedures, is said to have gained the trust of the emigrants, who were initially more inclined to use private channels for their money. The programme is at a pilot stage. As the first period ends in 2009, InterCooperation is collecting information on which to potentially base a second phase.

This project is a positive example of policy coherence applied in practice. It illustrates how Switzerland, itself hosting a large migrant population, can help its partner countries reap the benefits migration can have for development.

A conscious approach to capacity development

Albania's government provides a challenging context for capacity development. Its capacity remains uneven and is concentrated at the central level. The politicisation of ministries and related turnover after elections remains common, particularly in smaller ministries. Switzerland's contribution to the Integrated Planning System (IPS) multi-donor trust fund and its contribution to Albania's statistical system are positive steps towards providing joint institutional support to capacity development of government in crucial areas. In this difficult and politicised process of decentralisation, Switzerland is seen by its partners and other donors as an apt donor, taking a respectful, patient approach to government, where screening processes can take a long time, whilst maintaining its focus on achieving results. Switzerland's additional authority in supporting the local governance process stems from its own decentralised system.

This positive perception of Switzerland's approach may be the result of two aspects:

i. The Swiss co-operation office takes a conscious approach to capacity development, clearly distinguishing between individual, organisational, network and systemic capacities. Indeed, several of its projects address different levels at the same time. Its statistical support to INSTAT builds Albanians expertise and helps institutional EU procedures be systematised. The training programme for health professionals has contributed to the implementation of a national health strategy and a licensing system overseen by the ministry of health.

ii. Switzerland empowers local expertise. Its programme is implemented through existing structures, and Switzerland has no parallel project implementation units in Albania (OECD, 2008b). Furthermore, its programmes are now in general managed by Albanians, and its audits are performed mainly by Albanian companies. The peer review team welcomes these steps undertaken by SDC over the last years.

Organisation and management: a programme that builds on the capacity of national staff

Switzerland has an embassy and, since 1997, a development co-operation office in Tirana. The joint SDC/SECO co-operation in Albania is effective. Other donors view their Swiss co-operation colleagues as true development experts, especially compared to other agencies which consist predominantly of generalists. We noted the positive support of the Swiss Ambassador for the co-operation programme, and the regular interaction with the co-operation office. However, there is no guidance at the country level office on how policy coherence for development would be achieved. A more clearly-defined role for the Embassy in this regard would give Switzerland a stronger profile at the country level.

In recent years the Swiss co-operation office has strengthened the position of national employees. In 2007 it hired a national finance officer for the first time, and brought the thematic areas under the lead of locally-engaged programme officers. With 10 out of 12 staff being locally recruited, this small office relies to a great extent on local capacity. In a country with a highly skilled workforce, this is a welcome decision that fosters local ownership and empowers local capacity while also following Albanian labour regulations. A clear system of responsibilities and early assignment of focal points for the newly established thematic networks are proof of careful management. The peer review team did however find that human resources are stretched thin by the many harmonisation activities. Adequate support from headquarters for maintaining thematic expertise, and providing the resources needed for harmonisation activities at all stages, will be crucial to maintain the office's effectiveness.

The country office has a certain amount of flexibility to define priorities and programmes in Albania. Yet, decentralisation of financial authority is at an early stage. More flexibility in financial management is expected to be achieved with Phase 2 of the reorganisation, which should allow the country director to sign contracts up to CHF 500 000. SECO's financial devolution is yet to be started, however.

The co-operation office is meeting SDC's goal of becoming a learning organisation. It uses project cycle management in a consistent manner, drawing lessons from past reflections, and does not shy away from self-criticism, or from making changes to its programme. Monitoring and evaluation feature highly among the office's priorities. The office finalised a tool for monitoring and evaluating the strategic impact of its programme in February 2008. This has now become part of its new country strategy; an overall monitoring tool for all Swiss co-operation offices in the Western Balkans is also under development. These efforts will support a results-based, transparent, and well co-ordinated approach. The co-operation office regularly trains its staff on monitoring and evaluation. All of these developments are very positive. A next step would be to make its matrices focus more on impact rather than activities and results. Furthermore, the office in Albania is encouraged to share lessons and innovative approaches with Bern and donors in Albania to ensure other offices can learn from them as well.

Annex E

Field visit report Nicaragua

As part of the peer review of Switzerland, a team of examiners visited Nicaragua from 23 to 27 March 2009 to review Swiss co-operation. The team met with staff from the co-operation office and some of their partners: government officials in ministries, representatives of municipalities and civil society organisations, and multilateral and bilateral donor organisations. This annex is an account of the visit, and combines further study of documentation on the situation in Nicaragua with the team's observations**.**

Development context in Nicaragua

Nicaragua is one of the poorest countries in Central America, and ranks 120th out of 179 countries on the human development index (UNDP, 2008). Forty-six percent of its five million inhabitants live in poverty and 15% in extreme poverty, mainly in rural areas. In the last two decades, the country has seen remarkable institutional changes and steady economic growth, but it has also faced several political crises as well as corruption, drug trafficking and money laundering. Since the 2006 presidential election, the already agitated political scene has become much more polarised. The crisis culminated in the highly contentious official process and outcome of the 2008 municipal elections. Government institutions remain weak and highly politicised. While Nicaragua has strengthened its public financial management, it still faces high levels of corruption (it came 135th out of 180 countries on the corruption perceptions index).

During the last decade, Nicaragua has benefitted from a sound macroeconomic policy allowing a stable economic situation to develop. Further opportunities lie in the country's steady progress towards regional integration. However, ensuring inclusive and sustainable economic development remains a challenge, especially given the likely impact of the global financial crisis, with exports (44% of gross domestic product in 2008) and remittances (12%) being key components of Nicaraguan growth. Economic performance weakened in 2008 and an economic downturn began in the early 2009. The government implements poverty reduction strategies, but the results are not yet clear. As a beneficiary of the HIPC debt relief, Nicaragua has developed national development plans. After the 2006 elections, the new government decided to prepare a new national human development plan for 2008-12. This was released in early 2009, but an operational plan is still needed.

Nicaragua is highly dependent on aid: in 2007, total net ODA to Nicaragua amounted to USD 834 million, representing 15% of Nicaraguan GNI and 34% of the government budget. The Interamerican Development Bank, World Bank, European Commission, Spain and the United States are the main donors. Switzerland, with USD 19.5 million in 2007 is a medium-sized donor. During the last two years, relations between government and donors have grown very tense as the donor community has expressed growing concerns over the shrinking of political space and the politicisation of state institutions. The Budget Support Group decided in early 2009 to suspend disbursements pending policy changes by government to improve democratic governance.

Switzerland's co-operation programme in Nicaragua

A programme evolving over the past 30 years

Switzerland started an official development co-operation programme with Nicaragua in 1979. In 1990, the Nicaraguan co-operation programme became part of a regional programme. During the last three decades, the Swiss programme has evolved to respond to emerging needs and adapt to new approaches, while trying to maintain continuity. In terms of sector focus, Switzerland has been strongly engaged in water, sanitation and rural development. These remain important components of the co-operation programme. However, the focus of Swiss support to rural development has shifted from agricultural production to a value chain approach with a greater orientation towards markets, including through micro-finance. New themes have been introduced into the programme, such as public finance management, governance and renewable energy. Switzerland has also gradually become a leader in disaster prevention and mitigation activities, and its approach to disaster risk reduction now includes components of disaster preparedness. In terms of strategies, the long-standing emphasis on empowerment and participation of the poor remains valid, with a stronger focus on mainstreaming gender equality.

A programme focused on three strategic priorities

The Swiss Co-operation Strategy for Central America 2007-12 (SDC/SECO, 2007) is focused on poverty reduction and promoting inclusive, sustainable development. An average CHF 30 million per year is attributed to the strategy, which brings together SECO and SDC (and which includes humanitarian aid) according to their respective comparative advantages. The regional strategy covers Nicaragua (60% of the funding) and Honduras (30%), and includes a regional component (10%). It has three common thematic priorities for both countries: i) the development of micro, small and medium enterprises; ii) governance and public finance; and iii) infrastructure and local public basic services (Box 16).

These priorities are quite well aligned with Nicaragua's National Development Plan, as well as with Honduras' needs. In defining them, Switzerland has also taken into account other criteria, including past experience, current and potential development partnerships, Swiss comparative advantages and added value and division of labour between and complementarities with other donors. For instance, in supporting the development of micro, small and medium enterprises, the co-operation office decided to place a special emphasis on value chains of agricultural origin because of: i) widespread poverty in rural areas; ii) good existing market potential; and iii) Swiss co-operation experience in rural development.

As regards cross-cutting themes, the review team found that gender is well integrated in the programme as well as in the policy dialogue with government counterparts. The focus on gender benefits from appropriate training and tools, and is producing positive results in a number of sectors, including water and sanitation and disaster risk reduction. Positive features of the environment cross-cutting theme include the use of country systems to ensure environmental impact assessment, as well as successful efforts to mainstream disaster risk reduction (DRR) and ensure the environmental compatibility of the programme. In particular, SDC's DRR Programme for Central America 2008-12 is based on national needs and ensures that DRR is a guiding principle for all programmes (SDC/HA, 2007). However, overall the visit to Nicaragua confirmed that there are no systematic instructions from headquarters on environmental screening and that pilot projects conducted in Nicaragua derive more from local initiative than from Bern. Mainstreaming governance only became a priority for the office in Nicaragua in 2007, and the office is exploring how to translate this into practice and to create synergies with gender equity, the other SDC's cross-cutting theme.

Box 16. Swiss Co-operation Strategy for Central America 2007 – 2012: thematic priorities

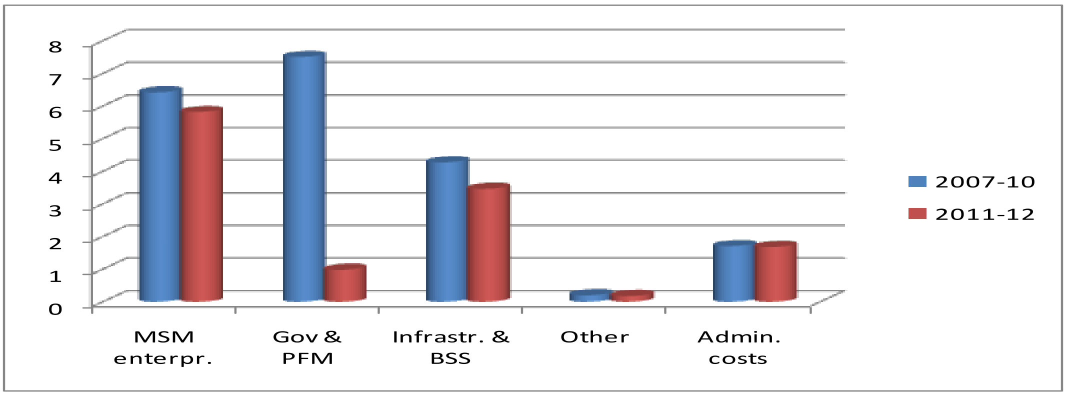
- **Development of micro, small and medium enterprises**
  The objective is to improve market access, emphasizing local, regional and international added value chains with agricultural origin. Components are:
  - Financial services (SDC and SECO)
  - Business development services (SDC and SECO)
  - Skills development (SDC)
  - Business Climate and Trade Policy (SECO)
- **Governance and Public Finance**
  The objective is to improve governance particularly in public financial management; effectiveness of public spending; transparency; and public accountability. Components are:
  - Budget Policy and Planning (Budget Support, MTEF) (SECO)
  - Poverty-oriented Policy Development (SDC/SECO)
- **Infrastructure and local public basic services**
  The objective is to enable poor populations to access basic social services of good quality. Components are:
  - Water and sanitation (SDC)
  - Renewable energy / small hydroelectric plants (SDC)
  - Disaster risk reduction (SDC)
- **Regional component.** Supported initiatives must be thematically congruent with the country programmes and comply with the following criteria:
  - Contributes to strengthening regional institutions
  - Contributes to solving supra-national problems
  - Facilitates access to regional markets and investment opportunities

Source: SDC/SECO (2007), *Swiss Co-operation Strategy for Central America 2007-12*, SDC, Bern

Two challenges: maintaining a wide range of modalities and avoiding dispersion

The amount allocated to the programme in Nicaragua is around CHF 20 million per year, with SDC and SECO providing approximately equal funding. Governance and public finance will receive the biggest share of allocations in the first four years of the 2007-12 strategy (Figure E.1). However, current plans indicate that support to this sector, which mainly involves general budget support and related technical assistance, will drop sharply in 2011/12. This reduction is not linked to the sensitive debate over budget support in Nicaragua (which has already led Switzerland to suspend GBS disbursements in 2009 —see Box 17), but directly derives from SECO's withdrawal from Nicaragua planned in the 2008 Bill (CH, 2008c). Given the importance of being able to adjust modalities to each local context and to develop synergies between each instrument, the country office, in close communication with headquarters, should consider ways to ensure that all instruments are available regardless of which institution manages the programme.

Figure E.1. Allocation per sector in Nicaragua – planned average 2007-10 and 2011-12 (in CHF millions)



Source: Data extracted from "Current medium-term financial planning", briefing file 17- Swiss Co-operation Office in Managua

The strategy for 2007-12 reduces the number of themes from five to three and subthemes from fifteen to eight compared to the previous one, in line with Swiss policy. However, each theme retains several components, which may limit the ability to really focus on fewer activities. For greater impact, efforts need to be more strategic and the dispersion of resources avoided, by reducing the number of sectors according to Switzerland's comparative advantage.

Implementation and aid effectiveness

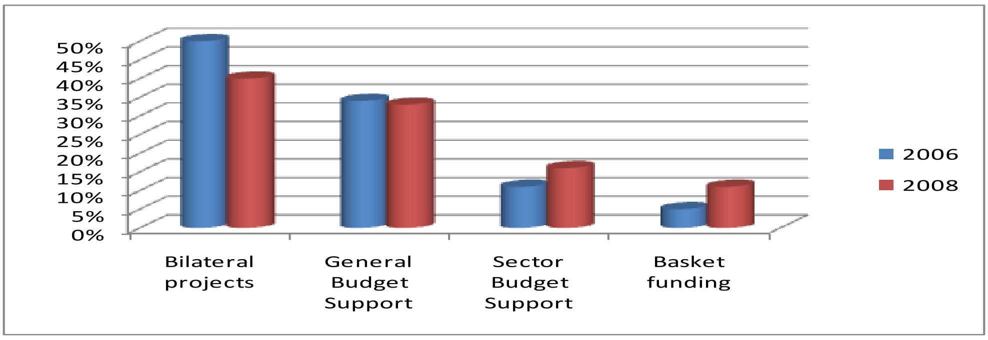
A constructive donor engaging proactively with government and other donors

Switzerland is perceived in Nicaragua as a constructive player both by government and donors, who share a positive impression of the office's commitment, skills, knowledge and efforts for the effective delivery of the programme. Switzerland appears to be a predictable donor, with its six-year regional strategy and three to four-year credit approvals for each programme. It is actively engaged in donor thematic groups. In 2009, it is participating in six groups and co-ordinating three of them: the donor budget support group, the PRORURAL donor group, and the disaster risk reduction group. Members of these groups recognise Switzerland's effective leadership role. Switzerland develops synergies at sector level with other donors, for example on anti-corruption with Norway and five other donors; civil society strengthening with Denmark and nine other donors; rural agricultural development with Norway, Finland, Sweden, Denmark and the World Bank; and private sector, energy and environment with UNDP. It is involved in a few joint projects (*e.g.* hydro-electric power plants with UNDP and disaster risk reduction with ECHO). Switzerland could build on these initiatives to engage further in joint programmes.

The challenge of working through government systems

Strategic thinking guiding Swiss co-operation in Nicaragua includes the aid effectiveness principles and commitments set in Accra. In line with these, the office plans to increasingly use programme approaches and basket funds, while reducing stand-alone bilateral projects. In addition to providing general budget support (GBS), it is involved in a sector programme on rural development and contributes to two basket funds — on civil society and anti-corruption. It has also integrated one of its four project implementation units into a national structure. However, like other donors, Switzerland finds working through government systems difficult and sees limitations to applying the ownership and alignment principles in Nicaragua. With regard to ownership, the Nicaraguan government tends to restrict the involvement of civil society. Switzerland, along with other donors, should look for ways to advocate bringing in the views of non-state actors further, in line with the Accra Agenda for Action. With regard to alignment, Switzerland views using national systems for financial management and monitoring as challenging, given the need to ensure accountability towards its own constituencies. Building national capacity and avoiding duplicating government structures are the Swiss responses to this assessment. In the meantime, the proportion of ODA delivered through the project approach remains high (40% in 2008), even though its share is diminishing (Figure E.2). The review team took note of this trend and encourages Switzerland to pursue efforts to align further its programme.

Figure E.2. Mix of aid modalities in 2006 and 2008



Switzerland has been at the forefront of general budget support in Nicaragua since its inception in 2005, investing over USD 5 million per year and chairing the budget support group in the periods 2005-06 and 2008-09. Donors and the government all appreciate how Switzerland has been handling its two presidencies, including the current, sensitive one (Box 17). Switzerland is regarded as a good mediator, benefiting from its neutrality, its analytical approach, professional competencies, and an attitude which facilitates open dialogue. However, balancing the implementation of the Accra principles with Nicaragua's political reality and the need to maintain cohesion within the donor community is challenging. Nicaragua's experience with GBS could benefit from analysis to ensure lessons help to adjust the tool modalities, for example for local circumstances in which GBS is questioned. Beyond Switzerland, this could serve as a collective learning experience for the international aid community. Switzerland could also reflect on the pros and cons of the Swiss institutional set up. The combination of a country director of low diplomatic status, the absence of a resident Swiss Ambassador (based in Costa Rica instead) and the high degree of decentralisation of the aid programme, all put Switzerland in quite an awkward position in its political dialogue over budget support. While this position might allow for some flexibility in the political dialogue with the partner country, in times of political crisis, the donor community as a whole needs to hold a strong position vis-à-vis the Nicaraguan government. This requires strong back-up from both headquarters and the embassy.

Box 17. Implementing the Paris Declaration in Nicaragua

Nicaragua has been a pilot country for implementing the Paris Declaration; it is an active member of the OECD Working Party on Aid Effectiveness. Over the last two years, the government has developed tools to support alignment. However, the pattern for alignment remains weak and dialogue between government and donors has been difficult. Donors feel that they were not sufficiently consulted in the preparation of the National Plan on Harmonisation and Alignment or the National Human Development Plan, and that the version recently shared is not suitable as a platform. They also disapprove of the government's restrictive views on ownership. The government wants a more symmetrical relationship with donors, questions the level of predictability of aid, and sees donors' analysis of national systems as subjective. In this sensitive context, co-ordination mechanisms include a number of sector technical groups and a technical secretariat of the donor roundtable. They are complemented by substantial informal dialogue among donors. However, several sectors still lack sufficient co-ordination (*e.g.* public finance management and rural energy).

Since the 2008 municipal elections, the already difficult dialogue between donors and the new government has grown very tense. There are downward pressures on both overall donor support and general budget support to Nicaragua, linked to the internal political situation and increased frustrations over government's perceived anti-democratic actions. GBS, which since 2005 has been a catalyst for harmonisation between the donor community and the government, has captured most of the attention. It has brought together key multilateral and bilateral donors (the World Bank, European Commission, Finland, Norway, Switzerland, the UK, the Netherlands, Germany). The IDB joined in 2008, while Sweden withdrew. GBS plays a vital role in Nicaragua's budget, totaling some USD 100 million in 2008, and accounting for approximately 8% of the national budget. GBS is based on a joint financial agreement between Nicaragua and the budget support group, and comprises two elements: i) performance indicators and actions agreed in a performance assessment matrix (PAM); and ii) political dialogue based on agreed fundamental principles, including free and fair elections, macroeconomic stability and rule of law. It has been complemented with technical assistance to strengthen public finance management. Budget support has achieved substantial results, both on the policy side (national budget audit, new laws and regulations regarding judicial career law, fiscal stance and public administration) and the performance side (macroeconomic stability, positive economic and social policy measures, good governance).

However, further to substantial irregularities in the 2008 municipal electoral process, donors considered that some of the fundamental principles of the joint financing agreement had been breached (in particular free and fair elections). As a consequence, the Budget Support Group decided in early 2009 to suspend disbursements, pending policy changes by government to improve democratic governance. This results in a gap of about USD 60 million in 2009. Maintaining internal coherence within the group of donors proved to be highly challenging. There were diverging views upon two series of issues: i) the need for aid predictability *versus* immediate reaction to a breach of a fundamental principle, which led to diverse approaches in the timing for suspending GBS; ii) the commitment of government (sole counterpart of the agreement) *versus* the responsibility of all state powers, which was tricky in a situation where checks and balances between different powers (including legal and judicial) are weak. The World Bank and IDB, whose respective boards are yet to confirm whether they will maintain GBS disbursements, argue that GBS cannot be used only as a leverage to improve governance and that suspending payments at a time when the financial crisis is hitting Nicaragua will worsen the economic situation and have a negative impact on the poor. Meanwhile the government has started planning its budget without GBS.

Engaging with different actors at different levels and building synergies

Switzerland considers civil society and the private sector to be key development actors and strives to promote inclusive development processes. It therefore implements multi-stakeholder approaches in its programme and frequently opts for a mix between public institutions and NGOs when implementing and channelling its funds. Of a total of USD 5 million disbursed to support private sector development in Nicaragua in 2008, USD 1.6 million was channelled at the meso and micro level through non-government channels. Switzerland also supports the creation and maintenance of dialogue platforms between different types of stakeholders and is an active member of the basket fund for civil society. The office in Nicaragua takes a conscious approach to capacity development for all these stakeholders (state institutions, private sector and civil society) as well as the empowerment of poor segments of the population. It could benefit from a clear vision and strategy on how to operationalise capacity development from headquarters, as well as from a functioning capacity development network to share lessons from field offices.

The Swiss multi-stakeholder approach builds on synergies and complementarities developed between different instruments and levels of engagement in the Swiss programme. Building linkages between micro, meso and macro levels is a feature of its approach. As an example, in public financial management in Nicaragua, Switzerland is involved both at the national level through support to poverty expenditure reviews, as well as in rural areas through its support to microfinance for small producers. Bringing field-level experience into the policy dialogue appears to be a comparative advantage of Swiss co-operation. However, this could still be strengthened: the office could link further its experience at the municipal level to the policy dialogue at the national level. It could also strengthen its role at the regional level by bringing in more experience acquired at the local level. For instance, Switzerland could take on a better advocacy role on disaster risk reduction in the region, building on its local engagement and recognised expertise.

A number of Swiss NGOs have been active in Nicaragua since the eighties, focusing mainly on marginalised populations. Some 25 Swiss NGOs are currently present, with private donations amounting to CHF 5.8 million in 2007. Most NGOs receive funds directly from SDC in Bern and relations are maintained at headquarters levels. The co-operation office is not involved in monitoring their activities but organises meetings on common themes of interest, either programmatic (*e.g.* microfinance) or institutional (*e.g.* security). The review team was encouraged that the co-operation office has started a more regular dialogue with Swiss NGOs in order to foster complementarity. However, there is still room for a more coherent approach to NGOs. The office could make greater efforts to stay abreast of their activities, especially outside the capital.

Organisation and management

An efficient co-operation office in Managua

With 28 locally-recruited staff out of a total of 32 staff members, the co-operation office relies extensively on locally-employed people. They have significant responsibilities both in conceptual work (programme officers and advisors) and management (heads of finance and administration). They benefit from attractive conditions and are being actively encouraged to participate in training and other learning events. This qualified local staff body contributes to the competent delivery of the programme.

The 2007 audit conducted by the audit department of the Swiss Foreign Ministry concluded that the office was well managed, with clear procedures and lines of responsibilities. The peer review team found that SECO and SDC are well integrated within the office. However, there is a need to streamline programming and funding procedures between SDC-Dev and SDC-HA and SECO, and to harmonise the reporting processes to make them less onerous.

Switzerland demonstrates good knowledge of the Nicaraguan context. To strengthen its ground-based approach, the office should continue to diversify its networks outside the capital. The office is closely linked with other Swiss co-operation offices in Latin America (sharing experience, models and tools) which helps make the most of knowledge gained in the region. With the support of headquarters, the office could increase cross-fertilisation of ideas with co-operation offices on other continents as well. Knowledge gained in Nicaragua should be integrated into the Swiss development system's overall knowledge management, including the networks that are being set up.

An outline of the monitoring system is annexed to the country strategy, but the indicators lack targets. The peer review's impression that the evaluation system could be better systematised, organised, more forward-looking and adapted to local circumstances, has been confirmed in Nicaragua.

Reviewing the regional concept

The existence of a Central America programme means that, for both Nicaragua and Honduras, there is one office in Managua (plus one expatriate Assistant Country Director operating as a liaison in Tegucigalpa), a single management structure and a single programme approach with three common pillars. It also implies a programme management characterised by regional knowledge sharing. The co-operation office team is organised primarily by thematic responsibilities, with staff covering both the Nicaragua and the Honduras programmes. This allows for efficiency in programme management. However, the regional dimension does not seem to be taken into account consistently: the specific regional component of the programme is weak (10% of the overall funding) and linkages between regional and national initiatives could be strengthened, as noted in the new *Swiss Co-operation Strategy for Central America 2007-12* and in the case of disaster risk management. It therefore seems that the rationale for subsuming country programmes into a regional programme is to increase efficiency by building synergies within the Swiss system, rather than to address regional problems through regional solutions (such as supporting regional organisations and strengthening regional integration). This points to the need for a better definition of a regional programme and its expected results.

Balancing local country office's autonomy with guidance from headquarters

The co-operation office's high level of autonomy is a clear asset. It provides for flexibility, direct dialogue with counterparts, and a good match of approaches to the country context. However, this high level of delegation, combined with a lack of standard-setting by headquarters, also entails certain risks:

- There is a danger of headquarters' policies not being systematically and consistently followed through at field level. Specifically, while giving autonomy to co-operation offices in implementing the Accra Agenda for Action, headquarters should also give them clearer guidance.
- It is difficult for headquarters to monitor results across co-operation offices, which may mean they have to fill out surveys frequently.
- The approach taken may be quite subjective (including in co-operating with local staff or in deciding over the mix of aid modalities).

- The co-operation office feels the need to develop its own tools (*e.g.* the project cycle management guide developed by the office), with uncertain benefits for other Swiss offices.
- The co-operation office may have insufficient leverage due to the lack of political backing.

In implementing Phase 2 of its institutional reform, SDC should look at ways of balancing the need to delegate authority to the field to enable it deliver on aid effectiveness commitments, with the need to provide sufficient guidance to support co-operation offices and stay abreast of what happens at field level.

Description of key terms

The following brief descriptions of the main development co-operation terms used in this publication are provided for general background information.[39]

ASSOCIATED FINANCING: The combination of official development assistance, whether grants or loans, with other official or private funds to form finance packages.

AVERAGE COUNTRY EFFORT: The unweighted average ODA/GNI ratio of DAC members, *i.e*. the average of the ratios themselves, not the ratio of total ODA to total GNI (cf. ODA/GNI ratio).

DAC (DEVELOPMENT ASSISTANCE COMMITTEE): The committee of the OECD which deals with development co-operation matters. A description of its aims and a list of its members are given at the front of the Development Co-operation Report.

DAC LIST OF ODA RECIPIENTS: For statistical purposes, the DAC uses a list of ODA recipients which it revises every three years. From 1 January 2007, the list is presented in the following categories (the word "countries" includes territories):

LDCs: Least Developed Countries. Group established by the United Nations. To be classified as an LDC, countries must fall below thresholds established for income, economic diversification and social development. The DAC List is updated immediately to reflect any change in the LDC group.

Other LICs: Other Low-Income Countries. Includes all non-LDC countries with per capita GNI USD 825 or less in 2004 (World Bank Atlas basis).

LMICs: Lower Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 826 and USD 3 255 in 2004. LDCs which are also LMICs are only shown as LDCs – not as LMICs.

UMICs: Upper Middle-Income Countries, *i.e.* with GNI per capita (Atlas basis) between USD 3 256 and USD 10 065 in 2004.

DEBT REORGANISATION (also **RESTRUCTURING)**: Any action officially agreed between creditor and debtor that alters the terms previously established for repayment. This may include forgiveness, or rescheduling or refinancing.

DIRECT INVESTMENT: Investment made to acquire or add to a lasting interest in an enterprise in a country on the DAC List of ODA Recipients. In practice it is recorded as the change in the net worth of a subsidiary in a recipient country to the parent company, as shown in the books of the latter.

DISBURSEMENT: The release of funds to, or the purchase of goods or services for a recipient; by extension, the amount thus spent. Disbursements may be recorded **gross** (the total amount disbursed over a given accounting period) or **net** (the gross amount less any repayments of loan principal or recoveries of grants received during the same period).

39. For a full description of these terms, see the *Development Co-operation Report 2009*, Volume 10, No. 1.

EXPORT CREDITS: Loans for the purpose of trade and which are not represented by a negotiable instrument. They may be extended by the official or the private sector. If extended by the private sector, they may be supported by official guarantees.

GRANTS: Transfers made in cash, goods or services for which no repayment is required.

GRANT ELEMENT: Reflects the financial terms of a commitment: interest rate, maturity and grace period (interval to the first repayment of capital). It measures the concessionality of a loan, expressed as the percentage by which the present value of the expected stream of repayments falls short of the repayments that would have been generated at a given reference rate of interest. The reference rate is 10% in DAC statistics. This rate was selected as a proxy for the marginal efficiency of domestic investment, *i.e.* as an indication of the opportunity cost to the donor of making the funds available. Thus, the grant element is nil for a loan carrying an interest rate of 10%; it is 100% for a grant; and it lies between these two limits for a loan at less than 10% interest.

LOANS: Transfers for which repayment is required. Data on net loan flows include deductions for repayments of principal (but not payment of interest) on earlier loans.

OFFICIAL DEVELOPMENT ASSISTANCE (ODA): Grants or loans to countries and territories on the DAC List of ODA Recipients and multilateral agencies that are undertaken by the official sector; with the promotion of economic development and welfare as the main objective; at concessional financial terms (if a loan, having a grant element of at least 25%).

ODA/GNI RATIO: To compare members' ODA efforts, it is useful to show them as a share of gross national income (GNI). "Total DAC" ODA/GNI is the sum of members' ODA divided by the sum of the GNI, *i.e*. the weighted ODA/GNI ratio of DAC members (*cf.* Average country effort).

OTHER OFFICIAL FLOWS (OOF): Transactions by the official sector with countries on the DAC List of ODA Recipients which do not meet the conditions for eligibility as official development assistance, either because they are not primarily aimed at development, or because they have a grant element of less than 25%.

TECHNICAL CO-OPERATION: Includes both a) grants to nationals of aid recipient countries receiving education or training at home or abroad, and b) payments to consultants, advisers and similar personnel as well as teachers and administrators serving in recipient countries.

TIED AID: Official grants or loans where procurement of the goods or services involved is limited to the donor country or to a group of countries which does not include substantially all aid recipient countries.

VOLUME (real terms): The flow data are expressed in United States dollars (USD). To give a truer idea of the volume of flows over time, some data are presented in constant prices and exchange rates, with a reference year specified. This means that adjustment has been made to cover both inflation in the donor's currency between the year in question and the reference year, and changes in the exchange rate between that currency and the United States dollar over the same period.

Bibliography

AC (Advisory Committee on International Development Co-operation) (2008), *Main Statements: Official development assistance objective (0.5% of GNI by 2015); Upper limit on multilateral aid (40%); Input document for the preparation of the Bills*, AC, Bern.

Bank of Albania (2007), *2007 Balance of Payments Bulletin*, Bank of Albania, Tirana, Albania; www.bankofalbania.org/web/2007_Balance_of_Payments_Bulletin_3413_2.php

CEVAL (Centre for Evaluation) (2008) *Development Co-operation Systems of Switzerland, Germany and Austria* (in German), CEVAL, Universität des Saarlandes, Saarbrücken, www.ceval.de/typo3/fileadmin/user_upload/PDFs/workpaper12.pdf

CH (Conseil fédéral suisse) (1976), *Loi fédérale sur la coopération au développement et l'aide humanitaire international du 19 mars 1976* (Etat le 1er juin 2007), Conseil fédéral suisse, Bern.

CH (1977), *Ordonnance concernant la coopération au développement et l'aide humanitaire internationales du 12 décembre 1977* (Etat le 1er janvier 2008), Conseil fédéral suisse, Bern.

CH (1988), *Ordonnance concernant le Corps suisse d'aide humanitaire,* N° 172.211.31, Conseil fédéral suisse, Bern.

CH (1994), *Lignes directrices Nord-Sud, Rapport du Conseil fédéral sur les relations Nord-Sud de la Suisse dans les années 90, Berne, 7 Mars 1994*, Conseil fédéral suisse, Bern.

CH (1999), *Federal Constitution of the Swiss Confederation of 18 April 1999*, Conseil fédéral suisse, Bern.

CH (2001), *Ordonnance sur l'aide en cas de catastrophe à l'étranger,* N° 974.043, Conseil fédéral suisse, Bern.

CH (2005), *Millenium Development Goals – Progress Report of Switzerland 2005*, mai 2005, Conseil fédéral suisse, Bern.

CH (2006a), *Loi fédérale sur la coopération avec les Etats d'Europe de l'Est*, 24 mars 2006, Conseil fédéral suisse, Bern.

CH (2006b), *Message sur la poursuite de la coopération avec les Etats d'Europe de l'Est et de la CEI*, 15 décembre 2006, Conseil fédéral suisse, Bern.

CH (2006c), *Message concernant la continuation de l'aide humanitaire internationale de la Confédération du 29 novembre 2006*, Conseil fédéral suisse, Bern.

CH (2006d), *Message concernant un crédit-cadre en faveur de l'environnement global*, 29 septembre 2006 (06.082), Conseil fédéral suisse, Bern.

CH (2007a), *Message concernant la promotion de la paix civile et le renforcement des droits de l'homme*, Conseil fédéral suisse, Bern.

CH (2007b), *Accord entre le Conseil fédéral suisse et le Conseil des Ministres de la République d'Albanie sur la coopération technique, financière et humanitaire*, 8 octobre 2007, Conseil fédéral suisse, Bern.

CH (2008a), *Ordonnance concernant la coopération au développement et l'aide humanitaire internationales du 12 décembre 1977 (Etat le 1er janvier 2008)*, Conseil fédéral suisse, Bern.

CH (2008b), *Message concernant la continuation de la coopération technique et de l'aide financière en faveur des pays en développement du 14 mars 2008*, Conseil fédéral suisse, Bern.

CH (2008c), *Message concernant le financement des mesures de politique économique et commerciale au titre de la coopération au développement du 7 mars 2008*, Conseil fédéral suisse, Bern.

CH (2008d), *Stratégie pour le développement durable: lignes directrices et plan d'action 2008–2011*, 16 avril 2008, Conseil fédéral suisse, Bern.

CH (2008e), *Protection in the Region*, FDFA-PD IV, FDFA-SDC and FOM, Conseil fédéral suisse, Bern.

CH (2009), *Global Programme for Climate Change – GPCC*, Conseil fédéral suisse, Bern.

Commission of the European Communities (2008), *Albania 2008 Progress Report*, accompanying the Communication from the Commission to the European Parliament and the Council, Enlargement Strategy and Main Challenges 2008-2009 [COM(2008)674], Commission of the European Communities, Brussels, 05.11.2008.

Conseil fédéral suisse et Conseil des Ministres de la République d'Albanie (2007): *Accord entre le Conseil fédéral Suisse et le Conseil des Ministres de la République d'Albanie sur la coopération technique, financière et humanitaire, Conclu le 11 mai 2007*, RS 0.974.212.3, Conseil fédéral suisse, Bern.

EJPD, Eidgenössisches Justiz- und Polizeidepartement (2009), *Statistique en matière d'asile 2008,* 12 janvier 2009, Département fédéral de justice et police, Bern.

FDFA (Federal Department of Foreign Affairs) (2007), *Rapport de politique étrangère*, juin 2007, FDFA, Bern.

FOM (Federal Office for Migration) (2008), *Migrationspartnerschaften (Broschüre)*, FOM, Bern.

FOM (Federal Office for Migration) (2009), *Migration Report 2007*, FOM, Bern.

INSTAT and World Bank (2006), *Albania: Trends in Poverty and Inequality, 2002-2005*, The World Bank, Washington DC, http://siteresources.worldbank.org/INTLSMS/Resources/3358986-1181743055198/3877319-1190309366854/alb05povtrends.pdf

IOM (International Organization for Migration) (2005), *Pursuing Policy Coherence in Migration and Development Policy Agendas*, Workshop discussion paper, 2-3 February 2005, IOM, Geneva.

Jan Consulting (2009) *Nicaragua – Force, actors and events driving change*, Jan Consulting, London.

OECD (Organisation for Economic Cooperation and Development) (2005b), *DAC Peer Review of Switzerland*, OECD, Paris.

OECD (2005a), *Policy Coherence for Development: Promoting Institutional Good Practice*, OECD, Paris.

OECD (2006a), *The Challenge of Capacity Development – Working Towards Good Practice, DAC Guidelines and Reference Series,* OECD, Paris.

OECD (2006b), *Harmonising Donor Practices for Effective Aid Delivery, Volume 2: Budget Support, Sector Wide Approaches and Capacity Development in Public Financial Management, DAC Guidelines and Reference Series,* OECD, Paris

OECD (2007a), *Policy Coherence for Development 2007: Migration and Developing Countries,* Development Centre, OECD, Paris.

OECD (2007b), *Environmental Performance Reviews: Switzerland,* OECD, Paris.

OECD (2008a), *Synthesis Report on Policy Coherence for Development*, OECD, Paris.

OECD (2008b), *Survey on Monitoring the Paris Declaration – Making Aid more Effective by 2010*, OECD, Paris.

OECD (2008c), *Compendium of Donor Reports on Implementing the Paris Declaration – Volume 2 : Donor self assessments*, OECD, Paris.

OECD (2009a), *Progress Report on OECD's Coherent Approach to Development and Policy Coherence for Development,* Note by the Secretary-General, OECD, Paris.

OECD (2009b), *Survey in the Levels of Decentralisation to the Field in DAC Members' Development Co-operation Systems*, DCD(2009)3, OECD, Paris.

OECD (2009c), *Implementing the Accra Agenda for Action "Beginning Now" Commitments – Updated compendium*, OECD, Paris.

OECD (2009d), *2009 Review on the Implementation of the 2001 DAC Recommendation on Untying Aid*, OECD, Paris.

SDC (Swiss Agency for Development and Co-operation) (2000), *Strategy 2010,* SDC, Bern.

SDC (2003), *Gender Policy: Gender Equality — A key for poverty alleviation and sustainable development,* SDC, Bern.

SDC (2004), *Advocacy Guidelines: Humanitarian Aid of the Swiss Confederation*, SDC, Bern.

SDC (2005a), *Switzerland Multilateral Development Co-operation Strategy: An SDC-SECO guideline*, SDC, Bern.

SDC (2005b), *Conflict-sensitive Programme Management – Integrating conflict sensitivity and prevention of violence into SDC programmes,* Bern.

SDC (2005c), *Humanitarian aid of the Swiss Confederation: A Conceptual Framework for multilateral commitments,* SDC, Bern.

SDC (2006a), *Les effets économiques de l'aide publique au développement au développement en Suisse, étude 2006*, SDC, Bern.

SDC (2006b), *Capitalising on the SDC Experience in Gender Mainstreaming in the Latin American Division – Eleven stories, eleven golden rules, and one winner: the poor*, SDC, Bern.

SDC (2006c), *Working Paper: Capacity Development in SDC,* SDC, Bern.

SDC (2006d), *Position and Role of SDC – Engagement of decentralized bodies in international co-operation,* SDC, Bern.

SDC (2006e), *Gender, Conflict Transformation and the Psychosocial Approach – Toolkit*, SDC, Bern.

SDC (2006f), *Standards Governing the Use of Dairy Products in the Context of Food Aid*, SDC, Bern.

SDC (2007a), *Les interactions de la Suisse avec le monde*, SDC, Bern.

SDC (2007b), *Politique ONG – Collaboration avec les organisations de développement privées suisses et internationales, juin 2007*, SDC, Bern.

SDC (2007c), *Humanitarian Aid of the Swiss Confederation, Strategy 2010*, SDC, Bern.

SDC (2007d), *Cash Workbook: A Practical User's Guide for the Implementation of Cash Projects,* SDC, Bern.

SDC (2008a), *Evaluation Policy of the Swiss Agency for Development and Cooperation (SDC)*, SDC, Bern.

SDC (2008b), *Context-sensitive Engagement: Lessons learned from Swiss experiences in South Asia for aid effectiveness in fragile scenarios*, SDC, Bern.

SDC (2008c), *SDC Guidelines on Disaster Risk Reduction*, SDC, Bern.

SDC (2008d), *Gender and Humanitarian Aid*, SDC, Bern.

SDC (2009a), *Evaluation of SDC's Performance in Mainstreaming Gender Equality,* Evaluation 2009/1, SDC, Bern.

SDC (2009b), *Framework for the Development of the PPPDP Instrument at SDC*, January 2009, SDC, Bern.

SDC (2009c), *SDC and the Accra Agenda for Action: Implementation guidelines*, SDC, Bern.

SDC/Humanitarian Aid (2007), *Disaster Risk Reduction Programme for Central America 2008-12*, SDC, Bern.

SDC (Swiss Agency for Development and Co-operation) and SECO (State Secretariat for Economic Affairs) (2008a), *Report on Aid Efficiency in the Water Sector*, SDC/SECO, Bern.

SDC/SECO (2008b), *Switzerland's International Cooperation – Annual report 2007*, SDC/SECO, Bern.

SDC/SECO (2007), *Swiss co-operation strategy for Central America 2007-12*, SDC/SECO, Bern.

SDC/SECO (2006), *Co-operation Strategy Albania 2006-2009*, SDC/SECO, Tirana/Bern.

SEAF (2007), *The Development Impact of Investing in Small and Medium Enterprises: Data survey and case study of SEAF investments*, SEAF, Bern.

SECO (2008), *Economic Co-operation and Development – Brief portrait*, SECO, Bern.

SECO (2005) *SECO's Strategy for General Budget Support*, SECO, Bern.

SECO (2002), *Strategy 2006,* Department for Development and Transition, SECO, Bern.

Swiss Co-operation Office in Albania (2008), *Final Media and Communication Guidelines*, Swiss Co-operation Office in Albania,Tirana.

Transparency International (2008), *Corruption Perceptions Index*, Transparency International, Berlin.

UNDP (United Nations Development Program) (2008), "2008 Human Development Indices Statistical Update", *Human Development Report 2007/08*, UNDP, New York.

World Bank, The (2007), *Albania: Urban Growth, Migration and Poverty Reduction. A Poverty Assessment*, Report No. 40071- AL, December 3, 2007, Poverty Reduction and Economic Management Unit Europe and Central Asia Region, The World Bank, Washington DC, http://siteresources.worldbank.org/PGLP/Resources/Albania_PA_Grey_Cover_2007_FINAL.pdf

The Development Assistance Committee welcomes your comments and suggestions.

Please contact us

by email at dac.contact@oecd.org

or by mail at:

Organisation for Economic Co-operation and Development
Development Co-operation Directorate
Communications and Management Support Unit
2, rue André-Pascal
75775 Paris Cedex 16
France

www.oecd.org/dac/peerreviews